The Industrial South

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PREFACE

This book is a compilation of the papers submitted to the Southeastern Economics Conference, at Atlanta, Georgia, November 8 and 9, 1928. The conference was a meeting of the economics professors of the Southeastern States, called for the purpose of stimulating the economists of this territory to further research. It is expected that the Conference will be held annually.

Special credit is due to Dean W. J. Matherly, of the University of Florida, and Professor C. A. Curtis, formerly of the University of Florida, and Professor Simeon Leland, formerly of the University of Kentucky, for originating the proposal that such a conference should be held. Professor Matherly is due special credit for his efforts in developing the project. He was originally aided in this by Dean Lee Bidgood, of the University of Alabama, and by Professor Mercer G. Evans, of Emory University, and Professor J. W. Martin, formerly of Emory University. The direct administration of the conference, the arrangement of the program, and other matters of that nature, were directed by a local committee on arrangements composed of Dean Edgar H. Johnson, of Emory University, Dean Thomas W. Noel, of the Georgia School of Technology, Dean A. S. Libby, of Oglethorpe University, and Professor J. M. Wright, of Agnes Scott College. Mercer G. Evans, of Emory University, acted as secretary for the committee.

The rapid industrialization of the South during the last few years has called attention to a number of developments in the South. It has attracted nation-wide attention. For that reason, the papers at this first meeting were concentrated upon the question of the industrialization of the South. No efforts were made to solve the South's industrial problem. It was not expected that the conference would influence the future progress of industrialization, but it was hoped to draw attention to some of the phenomena attending the present industrial revolution.

The papers are offered to the public in the belief that they constitute a contribution to the knowledge of the South. The growth of industry, its social and economic effects, labor conditions, agricultural problems, banking, and taxation in the South are treated in these papers by some of the South's most eminent scholars in these fields.

The Secretary is indebted to his colleagues, Mr. Frederick K. Hardy and Professor Lyle E. Campbell, of Emory University, for much assistance in preparing the manuscripts for the printer, and in making other arrangements for the publication of these proceedings.

TABLE OF CONTENTS

	PAGE
ANALYZING OURSELVES IN THE SOUTH. *Broadus Mitchell*	5
THE INDUSTRIALIZATION OF THE SOUTH. *R. P. Brooks*	9
DECENTRALIZATION OF INDUSTRY IN THE SOUTH. *Marcus Whitman*	27
SOME CONDITIONS AND ATTITUDES OF SOUTHERN COTTON MILL VILLAGERS. *Lois MacDonald*	35
THE ECONOMICS OF WELFARE WORK IN THE COTTON MILL VILLAGES OF THE SOUTH. *Jean Davis*	49
COOPERATION AND THE PROBLEM OF FARM RELIEF. *E. M. Kayden* Discussion by M. H. Bryan, and others	59
RURAL BANKING PROBLEMS. *J. V. Bowen*	69
PROBLEMS IN THE SOCIAL CONTROL OF BANKING. *H. L. Severson*	77
RECENT TRENDS IN SOUTHERN TAXATION. *J. W. Martin*	83
CONTENTS AND TRENDS OF BUSINESS SCHOOL CURRICULA IN THE SOUTH. *T. W. Noel and C. B. Wray*	93

ANALYZING OURSELVES IN THE SOUTH

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The South of the last fifty years has been lacking in critical faculty. This has been due to two main causes: first, the weight of a static tradition, and second, preoccupation of active minds in the work of creation. The matter may be examined under four heads: religious, cultural, political, and economic.

1. Our religious and spiritual life. Here the past has stretched out its hand and held us fast. We have remained dogmatic, evangelical. The church has turned in a squirrel-wheel—noisy, getting nowhere. The church has offered no interpretation of changing social life. We have remained like Mary enraptured at the Master's feet, and have refused to have a part in the workaday world, or be like Martha "anxious about many things." The church, with a tremendous grasp on Southern life, has failed to take the easy chance of leadership which has been presented to it. It has not utilized the best approach, the most natural approach which the South has—the religious—to racial amity and industrial justice. The most spectacular proof of this is the recent championing of fundamentalism.

2. Our cultural life. Here we have shown more hopeful signs than in our religious life. Consider drama, fiction, sculpture, scholarship, perhaps education. In these fields, in the main, we have been concerned about two things—(a) reaching a degree of technical proficiency, and (b) the picturing of local types. Under (a) we have made progress. Under (b) we have principally perpetuated the memory of the Old South of romance, whether in the stories of Page and Cable or the monuments to Confederate heroes. Now begins a new literature, mostly fiction, which makes a step in advance by essaying a realistic defining of certain groups, such as the negro, the mountaineer, the tenant farmer. Here is an element of self-analysis, but the subject-matter is what has existed for a long time. Literature is slow in its recognitions. There are few novels, stories or plays dealing with the industrial life of the South, the conflict between field and factory, or the new social world being created under our eyes. Reviews in the South, where they exist, are "literary" rather than critical.

3. Our political life. Dissent from domination of the one party has been growing, but sub rosa. It has been local and, except as a straw in the stream, unimportant. Generally there has been political

stagnation, with the only discussion turning not upon issues, but upon personal quarrels of contending candidates. In the presidential campaign of 1928 the South swallowed, perhaps with some enthusiasm, a platform which admits the wisdom of protection. It is too early to know in how far this represents conviction stimulated by economic interest, and in how far acceptation of the tariff has been dictated by national political exigency. If it be lasting, it is extremely significant.

4. Our economic and industrial life. Here change has been most rapid so far as physical accomplishment is concerned. Agriculture, naturally enough, has shown fewer alterations than industry, but perhaps because diversification of crops and expertness in farming method have required deliberate social propaganda, the quality of self-analysis has been ahead of any self-criticism that has appeared in the realm of manufacturing and its concomitants.

In the latter, private initiative has been sufficient to sweep the process of exploitation ahead. The race has been so rapid and spectacular that the public has sat in the bleachers and shouted for the winner in each heat. The more articulate in the community have profited by the Industrial Revolution, and hence have been silent as to its ill effects. The underpaid worker has had no voice of his own. The Southern textile operative has had little assistance from his fellows in the North because these have been engaged in a desperate attempt to preserve their own industrial status against the killing competition of the South. Nor has the Southern industrial worker found the college community alert or vocal in the face of economic happenings. In the field of changes in social relationships we are distinguished by unawareness and lack of curiosity, let alone purpose.

If these things are substantially true, then an early need of the South is self-realization—in its own posture at home and in the eye of the nation. In assistance to this end the church offers nothing. Literature and the cultural arts move slowly, finding their material in social phenomena only after these have become fairly fixed. Politics will be merely a function of the dominant economic interest; to look for courage or pioneering in the run of political spokesmen would be to put the cart before the horse. Industry itself is not promising in the particular of social analysis. Capitalists are not ruminative themselves nor open to conviction by others. They have an aspect of tenderness sometimes (welfare work), but this is merely the scabbard and holds a blade. Competition among indus-

trialists and growing scarcity of workers will after a time bring better standards in industry and forced recognition of such a necessary device as unionism. But these developments, while certain in their efficacy, will be slow in coming.

For the present we have to look to Southern colleges, universities, and enlightened newspaper men. Southern newspapers on the whole have preserved a tradition of distinterested advocacy superior to that of the press in the sections where industry and commerce have been longer established. As the South becomes richer, institutions of higher learning can afford to give effort not only to teaching, but to inquiry. Much can be done immediately, with the good effect of preparing the public mind for further social changes which are sure to come.

THE INDUSTRIALIZATION OF THE SOUTH

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I. Physical and Human Resources.

The area embraced by the Southern States is well adapted by nature to a highly developed industrial life. The variations of its climate and soil encourage the production of most of the necessary foodstuffs, though the South is far from being self-sufficient in this respect; the area suitable for cotton growing is perhaps the most important in the world, providing abundant raw material for this section's leading manufacturing interest; the forests of pine and hardwood furnish the basis for an extensive lumber trade and the raw material for a wide range of manufactured articles; in her mountains and hills the South has coal, iron and limestone in juxtaposition, a condition that elsewhere has eventually made for industrial progress; she is richly endowed with navigable streams and has a long coast line with numerous excellent harbors; her mountain streams provide water power resources now being harnessed for the production of extensive hydro-electric power.

For the development of this generous natural endowment the South has ample human resources. Her forty millions of people are for the most part descendants of English and Scotch Irish settlers. There has been but little infusion of other blood. While in the United States outside of the South the foreign-born population is 18.1 per cent., for the 16 Southern states this element constitutes only 2.7 per cent.; while persons of foreign stock (that is to say, foreign-born and those one or both of whose parents are foreign-born) are only 8 per cent. of the Southern population, they are 48.2 per cent. for the rest of the country.[1] True, the negroes form a large element of the population, 24.9 per cent. in 1920, and they are the source of perplexing problems. Owing to historical (and other) causes, the negroes are very unevenly distributed over the South. In Mississippi and South Carolina they are more than half the total population; in Georgia, 41.7 per cent.; in North Carolina and Virginia, 30; Kentucky, 9.8; Missouri, 5.2; and in Texas, 15.9. Furthermore, the colored population is largely concentrated in those portions of the states of the lower South in which the plantation type of industry

[1]Manufacturers' Record, *Blue Book of Southern Progress*, 1928, page 25.

formerly prevailed, such as tobacco, rice and cotton. Those crops did not flourish in the highlands, but were for the most part confined to the coastal areas, the lower Piedmont, and the alluvial river bottoms of the western South. To this day the negroes still occupy the areas in which they were most numerous as slaves.

The highlands, not being taken up by the planters, gradually filled with non-slaveholders, and that part of the South has not and never has had any large proportion of negroes. It is significant that the growth of industry is most marked in the hilly Piedmont country. For some years there has been in progress a steady movement of negroes from agricultural sections to urban centers, both in the South and in the North.

Between 1910 and 1920 some Northern states had an increase of 60 per cent. of negro population, while there was an actual decrease in the colored population of some Southern states, e. g., Alabama, Tennessee, Mississippi, and Louisiana,[2] and for the entire group of Southern states the increase was only 2 per cent.[3] For the United States the increase was 6.4 per cent. No one imagines, however, that the drift of negroes from the South can ever seriously affect the composition of her population. The colored man will doubtless always find his principal habitat there and will provide the chief form of unskilled and semi-skilled labor, though large numbers will advance into the skilled class. He, furthermore, will probably continue to operate as a drag on Southern progress and will serve to exaggerate the South's relatively low standing in such matters as per capita wealth, income, and literacy.

Negroes aside, to return to the main point, the Southern population is notably homogeneous, having one language, being largely Protestant in religion, and entertaining rather uniform notions on social and political subjects. This uniformity has an important bearing on larger questions, on the character of industry and labor, and on the marketability of goods.

II. Factors Adverse to Development of Industrialism in the Antebellum South.

The utilization of the South's natural and human resources in the creation of a well-balanced economic system has been long delayed.

[2]U. S. Department of Commerce, *Commercial Survey of the Southeast* (1927), page 23.

[3]*Blue Book of Southern Progress*, 1928, page 27.

In the early days of the republic this section did not appear necessarily to be doomed to a purely agricultural régime. The Census of 1810 records more homespun cotton manufacturing in Virginia, South Carolina and Georgia than in the other thirteen states and territories combined.[4] Power and automatic machinery were applied to cotton spinning in South Carolina before Slater erected the first Arkwright mill in Rhode Island. In 1787 spinning jennies were in operation near Charleston and water driven spinning frames at Statesburg, S. C.; in 1791 carding and spinning machinery were in use in East Tennessee. These industries were local in character and did not produce for a general market. There were numerous small manufacturing establishments widely scattered, there being no tendency towards that type of localization of industry which was coming in the North.

After appearing about to emerge in the early nineteenth century from complete absorption in staple agriculture, the South was again thrown back to an agricultural economy which lasted throughout the ante-bellum period. The time-honored explanation of the failure of manufacturing to develop in the South as elsewhere in the United States is to be found in the industrial revolution in England. The application of machinery and power to manufacturing and the coming of the factory system affected in the first instance the textile industry. The resulting vast increase in the demand for raw cotton opened the way in the South for a new plantation product for the production of which her soil, labor and habits were admirably suited. Slavery, at the time a declining economic institution and coming to be regarded as an evil to be ended as soon as possible, advanced to the status of a positive blessing. Cotton culture spread rapidly, the attention of the people was riveted on it and too large a proportion of the capital was absorbed in land and slaves.

With 34.4 per cent. of the population in slavery and the condition of non-slaveholders represented as unattractive, the South did not draw foreign immigrants. She thus failed to receive a class of English and German workers, an element that had so large an influence in the development of industry in the North. The population of the Southern highlands with proper encouragement, skill, and capital, might have been used to develop manufacturing. Instead,

[4]Clark, Victor S., "Colonial Manufactures," *The South in the Building of the Nation*, Vol. V., page 310.

the South came to depend largely on England and the North for manufactured products, paying for the same with the proceeds of the cotton crop. The merchants, bankers, and cotton factors in the cities were financially interested in the perpetuation of this one-crop system and did little to encourage development along other lines.

III. Industrial Progress in Ante-bellum South.

It is not to be inferred, however, that the impulse towards manufacturing was wholly stifled. Throughout the ante-bellum period leading Southern thinkers chafed under this section's dependence on the outside world.[5] A writer in the *Southern Quarterly Review* in the early forties hit the nail on the head and said what was in the minds of many thoughtful people: "An exclusively agricultural people in the present age of the world will always be poor. They want a home market. They want cities and towns, they want diversity of employment."[6] As the ante-bellum period drew towards a close, significant changes were under way. In numerous conventions the necessity for manufactures was stressed, the legislatures of some states exempted manufacturing from taxation, plans were made for advertising in Europe the advantages of the South for manufacturing purposes. Manufacturing establishments actually sprang up over a wide area in the South. These were for the most part neighborhood and hand industries.

Real factory development as contrasted with domestic or household production began in the late forties.[7] Towns located at the heads of navigation of the rivers, such as Richmond and Petersburg, Augusta and Columbus, and Florence, became rather important mill centers. A South Carolinian, William Gregg, was the great pioneer and apostle of cotton mills. In the forties he created at Graniteville, S. C., near Augusta, the largest mill in the ante-bellum South up to that time. In 1852 *DeBow's Review* said that Georgia had 40 cotton mills with 80,000 spindles, Tennessee, 30, with 36,000 spindles and 700 looms, Alabama, 12, with 12,580 spindles and 300 looms.[8]

A statistical view of Southern manufacturing at the close of the ante-bellum period, 1860, shows (see Table No. I) that there were

[5]Clark, V. C., *History of Manufactures in the United States* (Carnegie Institution, 1916), page 554.

[6]Quoted in Broadus Mitchell's *Life of William Gregg* (University of North Carolina Press, 1928), page 15.

[7]Clark, *op. cit.*, 459.

[8]*Ibid*, page 287.

30,750 establishments, capitalized at $162,400,000, using 200,000 workers, paying out nearly $50,000,000 in wages, and turning out an annual product valued at $282,000,000.[9] That industry which was destined to become the most important one, cotton milling, at the time ranked fifth in value of products in the South, being exceeded by flour and meal, lumber, tobacco, and iron manufactures. There were in 1860, 189 cotton mills with 350,000 spindles and 8,600 looms. This was a healthy beginning.

The South was, however, both absolutely and relatively far behind the North. For, although her population was 38.7 per cent. of the total for the United States, she possessed only 21.9 per cent. of the manufacturing establishments; their capitalization was 16.2 per cent. of all the capital so invested; the number of persons engaged was 13.9; the wages bill was 13.5 per cent., and the product was 15 per cent. of the aggregate product of all manufacturing establishments in the United States. In other words, industrialization had proceeded much further in the North than in the South.

IV. Rapid Development After 1880.

The Civil War was disastrous to Southern industry. Under the impetus of war necessity and the partial cutting off of manufactured

[9]The *Manufacturers' Record* in its annual "Blue Book of Southern Progress" prints much useful data taken from the Census and other publications and classified in such a manner as to compare Southern development with that of the nation as a whole. The Blue Book practice is to class as Southern sixteen states and the district of Columbia. Included in the sixteen are Maryland, West Virginia, Missouri and Oklahoma. It is questionable whether these states may properly be regarded as Southern, particularly in the case of Missouri. But the statistical work done on this basis has proved a great time-saver to the present writer and in order that his data may be comparable he has constructed all tables used in this study on the same basis. The unavoidable result is a consistently more favorable showing for the South than would be the case if the area were more accurately delimited. Since this paper contains so many figures and percentages, it would unnecessarily encumber the text to give exact references to sources. Those accustomed to this type of research will recognize that the decennial, and, in recent years, the more frequent, Census of Manufacturing and Population are the main sources used. The Census of 1880, Vol. II, Manufactures, contains a resume by states of the data pertaining to manufacturing and happily covering by decades the period 1850-1880 (Table 1, page 15, ff.). The Abstract of the 1900 Census (Table 164, pp. 331, ff.) carries on the record from 1880 through 1900. The 1910 figures are in the Abstract of the 13th Census (Table III, pp. 525); Vol. VIII of the 1920 Census (Table 48, pp. 171, ff) covers the year preceding, while the 1925 Census of Manufactures contains the latest figures available. The table showing the development of cotton manufacturing in the South (1850-1920) comes from similar Census reports of special industries.

supplies from the North and Europe, the textile and iron industries of the South were greatly expanded, except in the border states. But with the gradual penetration of the Confederacy by the Union Armies, factories and mills were everywhere razed. In 1865 Southern manufacturing was as prostrate as was agriculture.

The year 1880 has commonly been fixed upon as the time when the South had measurably recovered from the effects of the war and reconstruction period. A comparison of the amount of taxable property in the South in 1860 and in 1880, respectively, bears out this general idea. In 1860 the total was $6,787,428,506, or $556 per capita.[10] By 1880 the total had advanced to $8,613,650,000. The per capital value, however, had dropped to $464. The per capita for the South in 1860, it is interesting to observe, was larger than the per capita for the United States. Slaves entered into the count in 1860 both as persons and as property. Meanwhile for the nation the per capita taxable wealth in 1880 was $830, nearly twice as great as the per capita of the South. There had been an increase of $300 in the per capita for the United States, whereas in the South there had been a decrease of nearly $100. The elimination of slaves as property accounted, of course, for part of the decrease. Nevertheless, the year 1880 is about as close as we can come to placing the return of normal conditions in the South.

That considerable progress in manufacturing was made in the South between 1860 and 1880 is clear from the accompanying table.

TABLE NO. 1

Progress of Southern Manufacturing, 1860-1880

	Population	No. Establishments	Capital	Persons Engaged	Wages	Value of Material	Value of Product
1860	12,203,157	30,750	$162,402,457	200,200	$49,701,019	$161,067,044	$282,392,511
1880	18,538,340	53,248	329,752,408	369,462	100,227,187	396,473,202	622,340,976
Pct. Inc.	51	73.1	103	84.5	101	146	120.5

While the population increased 51 per cent in the two decades, the number of manufacturing establishments increased 73.19 per cent.; the capital invested increased 103.04 per cent.; the number of persons engaged increased 84.5 per cent. Wages paid increased 101.6 per cent.; the value of products increased 120.5 per cent. At the same time, however, so rapid was the progress of the North during

[10] Bureau of the Census, Wealth, Debt and Taxation, 1913, Vol. I, Table 6, pp. 24-5.

the same period that relatively the South was barely holding her own, as is made clear by the following table.

TABLE NO. 2

THE SOUTH'S SHARE (IN PERCENTAGES) OF THE TOTAL POPULATION AND MANUFACTURING OF THE UNITED STATES, 1860 AND 1880.

	Population	No. Estab. lishments	Capital	Persons Engaged	Wages	Value of Material	Value of Product
1860	38.7	21.9	16.2	13.9	13.15	15.6	15.0
1880	36.9	21.0	11.8	13.5	9.47	12.4	11.6

The South's population declined from 38.7 per cent. of the total to 36.9; in the number of establishments the percentage found in the South dropped from 21.9 to 21 per cent.; the relative proportion of persons engaged remained the same, but in other respects the South was lagging. In the value of manufactured products the South's share fell from 15 per cent. of the total to 11.6; the capital invested declined from 16.2 to 11.8 per cent.; and the wages from 13.15 to 9.47.

The industrial revolution in the South proceeded rapidly after 1880 and at a greatly accelerated pace after 1900.

TABLE NO. 3

GROWTH OF SOUTHERN MANUFACTURING, 1880-1925

	1880	1900	1925
Population	18,538,840	26,655,056	39,206,000
Number Establishments	53,248	113,984	37,238(11)
Capital	$329,752,408	$1,402,890,000	$ 6,8883,171,000(12)
Persons Engaged	369,462	982,528	1,866,000
Wages	$100,227,187	$ 366,594,000	$ 1,553,218,000
Value of Material	$396,473,202	$1,043,431,000	$ 6,228,000,000
Value of Product	$622,840,976	$1,849,137,000	$10,371,000,000

Comparative figures for 1900 and 1925 show that while the Southern population increased 47 per cent., the capital invested in manufacturing enterprises (to 1920) increased 390 per cent.[13]; the value

[11]The term "Manufacturing Establishments" through the Census of 1900 includes neighborhood, hand and building industries, as well as genuine factories; in 1910 and 1920 those industries of which the annual product was less than $500 were excluded; and in the Census of 1925 all establishments with an annual product of less than $5,000 were eliminated. This change in the method of classification accounts for the apparent decrease in the number of establishments.

[12]Figures are for 1920.

[13]Attention should be called to the fact that the Census figures on capital investments are entirely untrustworthy, according to the statements of the Bureau of Census.

of the product (to 1925) increased 460 per cent.; the amount of wages paid (to 1925) increased 323 per cent. Furthermore, the South's position relative to the nation as a whole had slightly improved, as is shown by Table 4.

TABLE NO. 4

THE SOUTH'S SHARE (IN PERCENTAGE) OF THE TOTAL POPULATION AND MANUFACTURING OF THE UNITED STATES, 1880-1925.

	1880	1890	1900	1910	1920	1923	1925
Population	36.9	35.5	35.2	35.4	34.3	---	33.8†
No. Estab.	21.0	19.3	22.3	21.9	22.9	18.9	19.3
Persons Engaged	13.5	15.5	17.2	18.9	16.1	17.9	*
Value Materials	12.4	13.0	14.2	15.1	17.0	13.4	17.3
Value Products	11.6	13.3	14.2	15.3	15.7	15.6	16.0
Capital	11.8	12.9	14.2	15.7	15.5	*	*
Wages	9.47	12.7	13.3	15.0	14.6	13.6	14.4

†Estimated; *Not available.

While the ratio of the Southern population to the total declined between 1900 and 1920 from 35.2 to 34.3 per cent., the capitalization of its enterprises increased from 14.2 to 15.5 of the total. The value of the product increased from 14.2 to 15.7 per cent.; wages increased from 13.3 to 14.6 per cent.; the number of establishments increased from 22.3 to 22.9 per cent. Only in the number of persons engaged did the South lose, falling from 17.2 to 16.1 per cent.

Taking a long time view of the subject from 1860 to the present, the South occupies now about the same relative position to the United States as a whole as it did in 1860. There has been gratifying development in manufacturing in the South, but the same thing has been going on in other portions of the country. The South has gained in the race, but the gain has not been great. Her resources are just beginning to be tapped and great things seem to be in store for this section.

In the discussion so far the industrial development of the South has been traced in its relation to the general development of the United States as a whole. If instead the comparison is made of the South's present with her own past, it may be said that the progress as revealed in absolute figures has been impressive. The following table shows the facts.

TABLE NO. 5

Growth of Southern Manufacturing, 1860-1925

	1860-1880	%	1880-1900	%	1900-1925*	%
Population	12,288,157		18,538,340		26,655,066	
	18,538,340	51	26,655,066	43.7	39,206,000	47.0
No. Establishments	39,750		53,248		113,984	
	53,248	73.1	113,984	114.0	37,228	-67.5
Persons Engaged	200,200		369,462		982,528	
	369,462	84.5	982,528	165.9	1,866,000	90
Value of Material	$161,057,044		$396,473,202		$1,043,431	
	396,473,202	146	1,043,431,000	163.1	6,228,000	496.8
Value of Product	$282,892,511		$622,840,976		$1,849,137	
	622,840,976	120.5	1,849,137,000	196.8	10,371,000	460.8
Capital	$162,402,457		$329,752,408		1,402,890	
	329,752,408	103	1,402,890,000	325.4	6,883,171	390.6
Wages (total)	$ 49,701,019		$100,227,187		$366,594,000	
	100,227,181	101.6	366,594,000	265.7	1,553,21	323.6

*Figures for persons engaged and capital in 1925 are for 1920.

The capital invested in manufacturing enterprises increased from $1,400,000,000 to $6,880,000,000 between 1900 and 1920. The value of the products increased from less than $2,000,000,000 to more than $10,000,000,000 in 1925. The amount paid out in wages grew from $360,000,000 to $1,500,000,000 in 1925, and, more impressive than all, the number of persons engaged increased 90 per cent. between 1900 and 1920. Even though due allowance be made for the fact that the value of the dollar has been greatly depreciated during the last twenty years, the progress has been noteworthy.

V. Progress of Cotton Milling.

Of all the many types of manufacturing enterprses that are now flourishing in the South, none is more important or more in the public eye than cotton milling. For this reason it has been deemed of interest to present succinctly the facts in this connection.

TABLE NO 6.

Development of Southern Milling, 1860-1927.

Date	Pop.	No. of Estab.	Capital	Persons Engaged	Value of Product	Bales Consumed	Spindles	Looms
1860	38.7	189	$12,308,721	13,169	$11,738,614	119,901	357,946	8,622
		(17%)	(13%)	(11%)	(41%)	(14%)	(7%)	(7%)
1880	36.9	184	$22,866,713	19,577	$21,586,692	240,635	687,882	14,754
		(24%)	(11%)	(12%)	(41%)	(15%)	(6%)	(6%)
1920	34.8	722	$825,724,000	204,496	$9185,28,000	3,183,227	14,809,688	289,187
		(48%)	(43%)	(43%)	(41%)	(56%)	(43%)	(42%)
1927	34.0	*	$814,000	254,237	$931,567,000	5,471,000	17,938,000	340,828
			(59%)	(55%)	(54%)	(70%)	(52%)	(46%)

All percentages show relation of Southern States to the U. S.

In 1880 there were in the Southern states 184 cotton mills, fewer by five than the number in 1860; the 184 of 1880 were 24 per cent.

of the total for the United States. In 1925 there were 814 mills, or 59 per cent. of the total; in 1880 11 per cent. of the capital invested in cotton milling was in the South; in 1920, 43 per cent. The number of bales consumed in 1880 was 240,000, 15 per cent. of the total; in 1927 more than 5,000,000 bales were consumed, being 70 per cent. of the total. The value of the product has increased from $21,000,000 in 1880 to $931,000,000 in 1925. In 1880 the South had 6 per cent. of the spindles and 6 per cent. of the looms. In 1927 52 per cent. of the spindles and 46 per cent. of the looms were in Southern mills.

The transfer of the cotton manufacturing business from the North to the South is one of the most striking developments of our time. It is still going on. The reasons given for it are: abundance of fuel and water power, relatively cheap labor, special tax inducements, encouragement by the railroads and municipalities and proximity to raw material. Of these the labor factor is the one of prime importance.[14]

VI. Diversification of Southern Manufactures.

The census reports yield interesting facts bearing on the matter of diversification of Southern industry. The products of Southern manufacturing in which at least one state had in 1925 an output valued at $10,000,000 or more have been listed.[15] Such a table of course reveals the most important lines of manufacturing. The list includes 53 products. The first 15 in order of the value of the product in 1925 were cotton goods, petroleum refining, lumber manufacturing, tobacco products; railway car, general construction and repair plants; slaughtering and packing; iron and steel products; cotton seed products; flour and feed; printing and publishing; boots and shoes; foundry and machine products; food preparations, fertilizers, and bakery products.

The cotton goods business is highly localized in a few states. These states in the order of the value of their output were North Carolina, South Carolina, Georgia and Alabama. Petroleum refining is confined wholly to the western South, Texas, Oklahoma, and Louisiana producing practically all of the output. Lumber products, the third in importance, are widely distributed, fourteen states producing an annual value of $24,000,000 or more each. Fourth in the list comes tobacco products in which the only states of consequence are North

[14]U. S. Department of Commerce, *Commercial Survey of the Southeast*, 1927, p. 128.

[15]Biennial Census of Manufactures, 1925, Table 3, pp. 1302, ff.

Carolina, easily first, Virginia, Florida and Kentucky. Fifth in order comes the output of railway construction and repair shops, to be found in practically every state. Sixth is slaughtering, localized in Missouri, Texas and Maryland. Iron and steel products come next. Alabama ranks first, followed rather closely by West Virginia, and no other state produces more than $10,000,000 worth of this product except Kentucky and Missouri. Cotton seed products, eighth in rank, are widely distributed, a large output being found in ten states, Mississippi slightly leading Oklahoma, Tennessee and Georgia in that order. Coming rather far down the list, ranking fourteenth in the value of output, are fertilizers. Seven states have a large output, Georgia and Maryland leading with an output of $28,000,000 each in 1925, North Carolina coming next, followed closely by Virginia and South Carolina.

No very useful result can be obtained by ranking the Southern states in such a manner as to show the total value of their manufacturing output. Such a listing fails to take into account differences in size, total population and composition of the population. However, the following is a list of the states in the order of their importance in manufacturing:

Missouri	Georgia	Kentucky
Texas	Tennessee	Oklahoma
North Carolina	Virginia	South Carolina
Maryland	Alabama	Florida
Louisiana	West Virginia	Mississippi
		Arkansas

Somewhat more useful is a listing of the states in the order of their per capita output:

Maryland	Tennessee	Georgia
Missouri	Virginia	South Carolina
Louisiana	Texas	Kentucky
North Carolina	Alabama	Oklahoma
West Virginia	Florida	Mississippi
		Arkansas

Such a list, it should be remarked, does not by any means convey an accurate idea of the extent of the diversification of industry in these states. In quite a number of cases a large proportion of the manufactured output is due to the more or less exclusive devotion of a state to one or two lines, as, for instance, Louisiana, which monop-

olizes the sugar cane industry, Missouri, which is the only state having any large amount of slaughtering, North Carolina in which more than one-third of the manufactured output is tobacco products, and Texas, which produces more petroleum than all the other states together.

As above stated, there are 53 products which are reported by the Census as having an output of $10,000,000 or more in some one or more of the Southern states. In Missouri 28 of these 53 products are found, indicating that diversification has gone farther in that state than in any of the others. Indeed, this state should really not be included in the study. If the states are ranked in this respect, the following result is obtained:

Missouri	Louisiana	Virginia
Maryland	North Carolina	Florida
Tennessee	West Virginia	South Carolina
Texas	Alabama	Oklahoma
Georgia	Kentucky	Arkansas
		Mississippi

Apparently there is little diversification in manufacturing in South Carolina, Oklahoma, Arkansas and Mississippi. It should be remembered, however, that only those products of industry are considered which had a value of $10,000,000 or more in one or more states. There are in addition hundreds of other products of less importance.

VII. Growth of Large-Scale Production.

It would be of considerable interest in outlining the development of Southern manufacturing to trace the evolution from small-scale to large-scale industry. The following table bearing on that matter has been prepared and is submitted for what it is worth—very little, it must be confessed.

TABLE NO. 7

Growth of Large-Scale Industry in the South

	No. Estab.	Average Wage-Earners Per Estab.	Average Capital Per Estab.	Average Product Per Estab.	Average Value Product Added by Mfg.
1860	30,750	6.5*	$5,280	$9,180	$3,940
1880	53,248	6.9	6,180	11,700	4,250
1900	113,984	8.1	12,310	16,200	7,040
1910	58,681	21.6	49,200	53,900	22,600
1920	66,464	24.1	103,700	148,000	56,000
1925	37,238	43.9	**	278,500	111,000

*Estimated; **Not given.

It is impossible to trace the increase in average size of industrial units. This situation arises from the fact that the Census reports of "number of establishments" are not comparable from decade to decade. Through 1900 the figures included "neighborhood," "hand" and "building industries." In 1910 and 1920 these industries were not included in the number of establishments; and in 1925 all establishments with an annual product of less than $5,000 were eliminated. It is, therefore, plain that the only two comparable Censuses we have of late years are those of 1910 and 1920. For that period of ten years the facts are obscured by war conditions, the inflation vitiating all money figures. There was, however, between 1910 and 1920 an increase in the average number of workers per establishment of 2.5.

Another indication of the growing industrialization of the South is the gradually increasing proportion of the population engaged in industry. In 1860 1.64 per cent. of the population was so engaged; in 1920 5.1 per cent. The following table shows the development in this respect.

TABLE NO. 8

PERCENTAGE OF POPULATION ENGAGED IN MANUFACTURING

	1860	1870	1880	1890	1900	1910	1920
South	1.64	2.16	1.99	3.28	3.68	4.4	5.1
United States	4.37	5.88	5.45	7.5	7.5	8.35	10.38

VIII. SOME RESULTS OF INDUSTRIALIZATION.

Completeness is not claimed for this study. All know that contemporary progress is much faster in its movement than is the machinery by which the facts are recorded. Much has happened since the publication of the 1925 *Census of Manufactures*. Scarcely a week passes but brings news of some new and important industrial development in every Southern state. Furthermore, a quantitative study like this fails to take into account such qualitative developments as the change from the production of the coarser fabrics and articles to more refined processes, nor does it reveal the fact that Southern manufacturers, being later in the field, have been able to equip their plants with modern, improved machinery, frequently avoiding the expense of costly replacements. The facts in this connection are not easy to come upon. Enough has been said, however, to show that the Southern states are in the midst of an economic revolution of far-reaching importance. Changes are in process that will

profoundly affect Southern life. We should expect to see repeated in this section some of the history of those parts of the world which have already passed through this phase of their development.

Southern agriculture as well as manufacturing is passing through revolutionary changes. Through the activities of national and state agencies improved methods are rapidly being applied to farming, and diversification is superseding the too exclusive attention to one or two staple crops. Both agriculture and manufacturing are moving forward, manufacturing, however, at a faster pace. While the value of Southern farms' crops and products was between 1900 and 1925 increasing 266 per cent., that of manufactured products increased 460 per cent.; while the value of farm property was increasing 300 per cent., the amount invested in manufacturing enterprises increased 390 per cent. These figures would, of course, be considerably discounted if the inflation of values since 1900 were considered, but relatively the results would be the same. The facts established, it would be of prime interest to consider the results that have followed or may be expected to follow this industrialization. Space, however, is lacking for more than a brief reference to two or three outstanding tendencies.

The first result to be noticed is the rapid increase of the wealth of this section. Between 1900 and 1925 the population increased 47 per cent.; the estimated true wealth of the 16 Southern states increased more than 300 per cent., and the assessed values (to 1927) increased 400 per cent.[16] If the influence of the rise in prices were taken into consideration, the increase would not be so impressive, yet substantial progress was made. This means that far greater sums have been available for social betterment of all kinds. The period indeed has been remarkable for the wide extension of governmental activities looking towards a larger measure of social control for the benefit of all the people. This movement has been possible because the income of the states has been more adequate. One immediately thinks of the educational progress as an illustration.

A second development of major interest is the increasing urbanization of the South. The following table shows that the urban element in 1890 was 19 per cent. of the total, while in 1920 it was 30 per cent.

[16] *Blue Book of Southern Progress*, 1928, p. 204.

TABLE NO. 9

PROGRESS OF URBANIZATION IN THE SOUTH

	1890	1900	1910	1920
United States	36.1	40.5	46.3	51.4
South	19.1	19.9	24.4	30.3

Conflicting views are held as to the effect of this movement from country to town. The growth of cities and towns implies, some contend, the coming of mills and factories and a rapid increase in the numbers of uneducated and undereducated wage earners, whose presence may not make for improvement in the life of a community. It is pointed out that large masses of city dwellers of the poorer sort provide fertile ground for the spread of radical notions about capital, labor and government. Many people deplore the townward movement because they think the stability of our institutions is dependent upon the preservation of our sturdy, independent, farming element, whose chief characteristic is a conservative dislike of change and a stubborn adherence to the established order.

On the other hand, there are those who say that the impulse towards progress in civilization comes from the cities. Cities bring together not only large groups of wage earners, but also leaders in every aspect of commercial and social life, and provide the only field for the better grade of professional people like engineers, doctors and lawyers. People of these classes are our ablest and best educated citizens. Their daily contacts stimulate thought. City problems necessitate co-operation in efforts towards social betterment. City people lead in the improvement of such matters as education, health, and roads.

The growth of manufacturing and of towns and cities, will, no doubt, have another important consequence, signs of which are already apparent. This matter is suggested by the state of affairs in Ohio. The urban element in the population of that state is now 64 per cent. of the total. Within its borders are 21 cities having a population of 25,000 or more, seven of them with more than 100,000 population each. One would naturally think of this state, therefore, as primarily a manufacturing commonwealth. And truly its manufactured output is gigantic, $5,300,000,000 in 1925, half as much as was produced by the sixteen Southern states combined. But note, the estimated amount of its agricultural crops in 1924 was $330,000,000, a larger value than was reported for any Southern state, except Texas, Oklahoma and Missouri. Texas is six times as

large as Ohio, Missouri is larger by 28,000 square miles, and Oklahoma by 29,000 square miles. Ohio's agricultural output exceeded that of Georgia by $87,000,000, while her manufactured output was nine times as great. Georgia is more than a third larger in area than Ohio. The population of Ohio is, however, twice that of Georgia. These facts suggest that a far larger population can be sustained in comfort on a given area when that area is best utilized by a combination of industry and diversified agriculture.

Campaigns looking towards the encouragement of diversified farming in the South have encountered serious difficulties. Farmers have in too many instances found no ready market for such diversified products as are either not produced in carload lots or cannot stand transportation to distant markets. But as cities and towns grow, markets will be automatically provided, since townspeople do not produce foodstuffs. Will there not be a better balanced economic system in the South when not less than 50 per cent. of the people are living in cities? The need is a far greater development of industry than at present. Fewer farmers relatively to the whole population will mean more prosperous farmers; they will find markets in industrial cities and towns. The reaction on the urban centers will be good, because prosperous farmers will be most important consumers of town products.

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EDITOR'S NOTE.—In commenting on the subject of industrialization, Dr. H. M. Payne, Consulting Engineer of the American Mining Congress, remarked, in part, as follows:

"Although agriculture, manufacturing, and mining are each claimed to be the basis of civilization, it is only by the harmonious and prosperous development of all three that civilization can really be preserved. . . .

"The southeastern part of the United States is qualified by its agriculture, climate and natural resources to be self-supporting and economically independent in the matter of raw materials. Their ultimate development demands fabrication near the source. The coming of industry to the South, with its wonderful facilities for power, labor and transportation, will enable the manufacturer to find new cost levels and the laborer new standards of living. . . .

"The small town should be used by industry because of cheaper living costs, better shipping facilities, and higher production efficiency. . . ."

Dean W. J. Matherly, of the University of Florida, commented, in part, as follows:

"The cotton gin enslaved the South for one hundred years, but the cotton spindle has liberated it. Industrialization began about 1880 with cotton mills.

Not only cotton, but other products have been developed—as tobacco, lumber, iron and steel. . . .

"The South has passed through the same industrial evolution as New England and Great Britain. Labor on the whole has been elevated and extended. It has brought a large degree of economic independence. It has brought about other improvements, as better roads and increase in higher education. . . ."

The editor regrets that lack of space prevents further extension of these remarks.

DECENTRALIZATION OF INDUSTRY IN THE SOUTH

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It should be recognized that local utility service is not an influential factor in determining the location of an industry. This fact can be seen from the following figures indicating the ratio of cost of electric power to total value of product for a number of industries in which the South is both presently and potentially interested.

Chemicals	8.1
Iron and Steel	5.7
Paper	2.4
Textiles	1.3
Lumber	0.8
Tobacco	0.2

While the power companies may not be indispensable to our industries, our industries are indispensable to the continued and increasing growth of the power companies. This fact may have considerable effect upon the way industries are destined to locate and develop in the South.

It is evident that the power companies would be vitally interested in promoting industrial development. This is the natural outcome of their desire to build up the load, to operate as nearly as possible up to the capacity of their equipment and thus profit to the fullest extent from the operation of the law of decreasing cost. The complete carrying out of this program involves the espousal of the idea of decentralization. The explanation is to be found in the great development of inter-connection in the South. The power business is not organized on the isolated plant basis in the South. It is the handiwork not of small promoters but of large interests who believe in complete and unified development of all power resources in terms of states and economic areas. This is the ideal of the most important controlling group in the south, namely, the Electric Bond and Share Company interests. This great management and financing concern, closely related to the General Electric Company, really, if not legally, directs the destinies of five great holding company groups, the transmission lines of whose operating properties form an almost continuous network running from the Lake States to the Atlantic Seaboard, thence through the Southern States, from there to the Southwest, thence through the Rocky Mountain region to the States of the Pacific-Northwest.

Today the South is largely served by the following electric utility systems:

Appalachian Power Company.
Carolina Power & Light Company.
Southeastern Power and Light Company.
Florida Power and Light Company.
Tennessee Electric Power Company.
Duke Power Company.
Virginia Public Service Company.

Of these companies the first four are links in the above mentioned chain of properties virtually under the supervision of the Electric Bond and Share Company Interests.

Hence large scale planning and management have resulted in the well-balanced development of multiple hydro and steam stations tied into widely extended transmission systems. Such interconnection and system building has been a necessity in the South. The early electric utilities were largely hydro properties servicing their only market, distant cities, over transmission lines. The variable nature of the water flow in the rivers made interconnection almost necessary as a means of service insurance and encouraged the development of coördinating steam stations and system building.

As is well known the interconnection of several generating systems, each having somewhat different load characteristics, results in a service capacity greater than the total of that of the unconnected systems. Such has been the case in the south. Interconnection, even without new installation, has automatically brought an increase in total service capacity much beyond the present and immediate future needs of the large city centers. At the same time the network of high voltage lines serving the city centers extends all over the South passing through territory rich in resources and industrial possibilities. Hence the power companies realize that the greatest possibilities for load building lie in encouraging decentralization of industry. The physical layout of their properties demand it.

Widespread utilization of power, produced on a widespread basis, brings the greatest possibility of economies arising from excellent diversity and the lessening of line loss and extra expense involved in very long distance transmission. Furthermore the very industrial possibilities of the South seem to encourage such decentralization. Raw materials which attract industry are widely distributed, and the types of industry they bid fair to attract are not, with few excep-

tions, those requiring location in or near great or specialized city centers. In the words of one writer, "The South of today . . . is rapidly proving that decentralized industries lend themselves more effectively to the economies of mass production than congested areas with enormous factories. Electric power, raw materials, a small plant and a small town with surrounding farms to feed the workers are proving to be a better industrial and social arrangement than has been heretofore established."

While the power company interests are looking to decentralization as a means of achieving all the operating economies that interconnected facilities properly used will bring, they are immediately faced with another problem. That is the matter of maintaining stable earning power. The industrial load building activity which may be tied in with the decentralization movement may be good operating policy but it raises perplexing questions for those concerned with the financial policies. Electric light and power securities have long enjoyed a preference as investments over those of industrial enterprises because of the superior financial stability of the utility business. Conditions, however, are changing.

The great hope for the utilization of the enormous excess capacity available with the perfection of interconnection has been the development of industrial loads in which industrial decentralization is considered an important factor. This means that growth of the power business is largely of a kind that is tying the electric light and power industry to the business cycle and subjecting it more closely than ever before to all the fluctuations and uncertainties that have always been the lot of the average industry.

Such a tendency is a serious one; for return in the electric business is limited by regulation, and hence there is no possibility of building up large reserves out of excess profits to tide the companies over a period of depression. Sound utility policy, therefore, dictates that, while the building up of industrial loads should be increased, a diversification in types of industry should be sought. While individual industries have their ups and downs, it is very seldom that the members of a large and diversified group of well selected industries are all at one time sufficiently affected by a business depression seriously to cut down the earning power of another industry largely depending upon all of them as a market for its product.

In other words industrial diversification is the sort of insurance the power companies need to keep their securities in a preferred in-

vestment status. This status must be preserved, because only in this fashion can the utilities economically compete for favor with investors against other industries offering possibilities of greater return. The one pressing need of the utilities is capital. They are by law perpetual concerns which must render service when and in such quantities as is demanded. To do this they must be ready to make unusually heavy investments in plant and equipment. Unlike the average industry, the public utilities are service-rendering concerns with exceptionally heavy investments and, hence, high fixed charges per unit of gross revenue. Couple to these facts the fact of close regulation of return and a situation arises wherein it is impossible to finance new investment needs out of earnings. Hence the sole source of new capital to keep these concerns going and growing is the investor.

So by way of summary it may be said that utility policies favor, and aggressively demand, industrial development in the South. They demand and encourage decentralization of industry. This does not mean decentralization of existing industry. There is room for continued growth in our present important city centers, but their increased development will not begin to exhaust the industrial possibilities presented by the wide distribution of natural resources and the far-flung network of transmission lines potentially able to give undeveloped regions power as cheap as, or cheaper than, that available in the city centers. It is this new field that the utilities seek to develop, at the same time continuing to encourage already established development. This is their concept of decentralization.

If industrialization in the South increases, it means that an increasing proportion of the electric service will be sold on a competitive basis. Coal is relatively cheap in the South, and chemists are continually finding new ways to use its heating and power properties with increased economies and effectiveness. This means that the price of the greater proportion of an electric company's service may be determined under the threat of competition of an effective substitute, while the relatively decreasing volume of domestic service will remain as usual subject to the operations of the principles of monopoly price, limited somewhat by more or less effective regulation.

Under the necessity of meeting competitive conditions in the marketing of the majority of its future services the electric companies

may be more than usually prone to shift some of the legitimate industrial load cost over to the cost burden of the great mass of small domestic consumers. Or, in the hope of further strengthening their hold on the industrial load the companies may reflect increased operating economies in lower industrial rates without according the well-monopolized domestic business its fair share of decreased charges.

IS INDUSTRY DECENTRALIZED IN THE SOUTH?

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There is much current discussion which concerns the decentralization of industry. I am inclined to believe that a careful study of this question would give somewhat surprising results when compared with the general popular idea. In a recent study it was found that:

"While, in 1910, the Birmingham district produced only 65 per cent of the iron ore in the South, in 1926, this same district produced 91 per cent of this ore. Only 60 per cent of the pig iron manufactured in the South in 1901 was produced in the Birmingham district, while this same district manufactured over 87 per cent of this same product in 1926. The percentage of the total production of steel ingots and castings manufactured in the South by any district made very little change throughout the present century and was quite constant. On the other hand, owing to the unusual capital outlay necessary for producing the finished rolled iron and steel, this industry is centered in the Birmingham district.

"It might be of further interest to know that, as between the North and the South, the South has scarcely been holding its own in the production of iron ore. For a five-year average, beginning with 1910, the South produced 11.72 per cent of the iron ore of the United States, and for the five-year average, ending with 1926, 11.68 per cent. In the production of pig iron, the South produced 13.20 per cent of the total for the United States, during the earlier period, while during the latter period it produced only 8.3 per cent. In the production of finished rolled iron and steel, the South showed a gain, producing only 2.65 per cent of the total for the country as a whole in 1901. The South increased this percentage to 4.86 per cent by 1926. Thus we see there has been no decentralization of the iron and steel industry as between the North and South, while within the South itself, on the other hand, the tendency has been toward centralization."—J. H. Dodd, "The History of the Production of the Iron and Steel Industry in the Southern Appalachian States Since 1900." A dissertation prepared at the George Peabody College for Teachers.

Another study shows that there is a tendency toward centralization, even in agriculture. In the state of Georgia we find that:

"In 1880 only one county had more than 50 per cent of its improved land in cotton. In 1900, there were five such counties with more than 50 per cent; and in 1920 there were twenty-five counties with more than 50 per cent, four of which were above 60 per cent."—William B. Judd, "Agricultural Diversification in Georgia since 1860." A dissertation prepared at the George Peabody College for Teachers.

SOME CONDITIONS AND ATTITUDES OF SOUTHERN COTTON MILL VILLAGERS

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The South has emerged from a slave owning section, through a war in which the slave holders were defeated, through difficult days of political and economic reconstruction, on to a period of rapid and extensive industrial development.

In the course of this development a labor force has been drawn in from the farms and from the mountains. Perhaps no agricultural group has ever been transferred so quickly from rural to industrial life and interests. This change affects the worker in almost every sphere of life. In the country the farmer was accustomed to an isolated life in which an occasional trip to town broke the ordinary monotony; he saw few people outside his own family. The move to the mill means a move to community life, where houses are placed only a few yards apart; it means also a move to a peculiar, closed community life in a mill village. The move means a change in work habits also. On the farm, poor as a man might be, he works more or less at his own will. Very often the work in the busy season means hard toil from daylight to dark, but even so there is some degree of independence in it. At the mill the farmer who used to go to work by the sun goes to the mill when the whistle blows. His hours at work, his task at work, and often his speed are dependent on the group with which he works. The farm tools have been cast aside, and the open air worker with a hoe or a plow has become a tender of machines in a close, hot factory.

In the country the farmer was in many ways self-sufficient. Many tenant farmers are not far removed from almost pure domestic economy. Vegetables, meat, and other necessities they supply for themselves; cash money is almost never secured in any quantity. In the mill village the ex-farmer is paid a cash wage at the end of each week. With this he purchases whatever he needs, trading usually at the company store. Rain or shine, summer or winter, unless the worker takes a day off or the mill shuts down, work goes on.

This transition involves not only an adjustment of a group of people to a totally different scheme of living but also is bound up with some of the changes within the rapidly expanding industry itself. As the mills have succeeded they have passed beyond the stage of community ventures and have taken their places as an increasing-

ly important part of the industrial strength of the nation. Questions concerning the standard of living in the villages, the working of small children, hours and wages in the industry have developed. The economic and human part of it all are not so unified as at the beginning.

In this transition there are attitudes on the part of workers and other groups in southern communities which are determined by the rapidly changing economic environment. Even with present conditions considerably changed from those which obtained during the period of starting the mills, a kind of aura surrounds the industry in the minds of the average person. It is natural that persons should recognize the value of the South's gathering economic strength by building up her industries, but it is a different thing entirely when a statement such as the following is made seriously before a group of Southern social workers and goes unchallenged: "Southern industry is a moral venture. It is a venture in the realm of human possibility. It is a venture in seeing the potential worth of men. The pioneers of Southern industry were pioneers of God, they were prophets of God doing what God wanted done. Southern industry is a divine institution. When the first whistles blew the people flocked to the light from barren places. These cotton mills were established that people might find themselves and be found. It is a spiritual movement."[1]

This attitude of the divine origin of industry, as seen in the efforts to block protective legislation, laissez-faire, child labor, long hours of work, low wages have their counterpart in other periods when groups have been passing through similar changes in economic environment, notably the experience of Great Britain in the period following the Industrial Revolution. Their source and direction are determined by the underlying economic factors, and any analysis of attitudes must rest on the foundation of economic conditions and changes.

This paper is concerned primarily with the attitudes of the operatives themselves. The material given here is an attempt to discover as far as possible, in a very direct and simple manner what goes on in the minds of the operatives as they go about their work and pursue their courses in the villages. Information was secured from 187 families, totalling 894 individuals, in three typical mill

[1]Speech by John W. Speake before Conference of the Southern Textile Social Service Association (Greenville, South Carolina) May 2, 1926. Quoted from verbatim notes of the writer.

villages of the Carolinas. Within recent years each of the villages has been cited and described as a typical village at least once by the textile magazines, and special textile editions of Southern newspapers. This would seem to indicate that they are considered fair samples by their managers and the general public.

It is perhaps of value here to give some brief description of the general characteristics of the operatives. Taking the three villages together, the population pattern is a uniform one—native born, white, Southern, and rural. The adult members especially have had very poor school advantages. The children have on the whole had more school training, especially in the early years. The tendency to drop out of school soon after the fifth grade is noticeable.

The population is a nomadic one. The feeling of being rooted anywhere was not a usual family symptom. It was rather that of always and forever seeking something better at the next mill, or at a more distant one which rumor credited with having some special advantage.

Wages as reported by the workers, although perhaps higher than the average weekly wage spread throughout the year, seem insufficient to maintain a family with any degree of comfort or security. The inevitable result, attested to by parent after parent, is that the children go into the mill to work as soon as or very soon after they reach the age when they may legally do so.

The idea of low rental of the houses and the generally accepted statement that low living costs in the South compensate the worker by raising his real wages may be misleading. It is true that rents are low, but there is some question as to the validity of the claim of a general low cost of living. Studies made in 1919 and 1920 by the National Industrial Conference Board compare the cost of living in Fall River and Lawrence, Massachusetts, with the cost in Pelzer, South Carolina, and mill villages close to Greenville and Charlotte; they show that the minimum cost of maintaining a family of five persons in the Southern villages is higher than in the New England textile centers.[2] The higher food item of the Southern

[2]National Industrial Conference Board, *Cost of Living Among Wage Earners, Fall River, Mass.*, Research Report No. 22, October, 1919; *Cost of Living Among Wage Earners, Lawrence, Mass.*, Research Report No. 24, November, 1919; *Cost of Living Among Wage Earners, Greenville, South Carolina; Pelzer, South Carolina, and Charlotte, North Carolina.* Special Report No. 8, May, 1920. The exact figures given as minimum for maintaining a family of a man, wife, and three children under fourteen years of age are (yearly): Fall River, $1,267.76; Lawrence, $1,385.76; Greenville, $1,393.50; Pelzer, $1,374.09; Charlotte (Co. House), $1,438.03; (non-company house), $1,525.27.

worker's budget more than balances his lower rent cost.

The churches were drab, colorless institutions. Many workers paid word homage to them, but relatively few constant attendants and supporters were found. The reason given was that it is difficult to begin to go in a new place, especially when tenure of residence is uncertain. The ministers were not forceful or even intelligent men, so far as being acquainted with the currents of the world of thought are concerned. The workers on the whole assumed little responsibility in the management of the churches.

The universal response from leaders of the community activities, such as church societies, Parent-Teacher Associations, and so forth, was that the mill workers either would not or could not be interested. Two reason are outstanding; either the people are incapable of assuming responsibilities, because they move so frequently or have inherent inability, or that the long work day left them unable to concentrate on anything on the outside.

An outstanding fact is that almost none of the offices and positions of responsibility in the villages are held by the ordinary workers. There must, then, either be a group which takes responsibilities out of the hands of the workers, or the workers are so unaccustomed to performing even the ordinary functions of citizenship engaged in by the average citizen in an incorporated town that they have no initiative, or they have an inherent inability to perform other than manual labor.

There was no contact with or intelligence about the affairs of the world outside the village. The villages to the average workers were circular worlds with the mill in the center, and the limits of the village the circumference. This does not mean that the workers never go into the towns. They shop there, go to the moving pictures, and to other entertainments, but there is no real social interrelation between the villagers and the town people. The villagers are set apart.

The school in each village is the bright spot in the picture. There was considerable variety among villages in this respect, one being a part of a large and flourishing school system, another having only the first three grades, the older children going to a nearby county school, and the third being a county school with ten grades. The fact that many children do not attend school after they are fourteen and can go into the mill casts a shadow in the picture, however. Except in the first village there is little direct control of the schools

by the mill authorities, and in that exceptional case the control is somewhat indirect.

This information on attitudes was not gathered by a formal questionnaire method. A number of days were spent visiting in the houses of the workers; talking with them about a variety of subjects; asking them about their work; their ambitions for themselves and for their children; about the things in the community which were of interest to them or to their families; what they thought of life there in the village; of their chances for advancement; and of their plans for the future.

The mill villagers were genial, rather slow to trust themselves in talking to a stranger, but they responded to a person who expressed interest in themselves, their children or their communities. They did not give the impression of being especially happy; the older generation looked almost worn out, but it is that generation which expresses the most long suffering philosophy which somehow makes a hard life endurable. The women seemed pleased to have someone come in their houses to talk to them, and on the whole were more likely to respond to questions concerning the villages and the people.

The older generation in the villages looks, acts and talks like a group of country people. Many of the middle-aged ones expressed a desire or a determination to "live their last days in the country." The men especially longed for their old ways of living on the farms. In contrast to this is the feeling expressed by one old woman who said of the life in the mill village, "It's just grand. Bettern' hoein cotton, folks livin' right at you and you don't have to bother about the weather."

In appearance some of the men are strong, hardy looking countrymen, probably either mountaineers or "one-gallus boys" from the lowland country. Others, however, are less hardy in appearance, and some appear to be in actual ill health. In general it was obvious that those who seemed to be in more severe economic straits were less healthy in appearance. A study made in a series of villages by the United States Public Health Service confirms this observation.

The women on the whole appear less robust than the men. Almost all of them seem to be overworked and prematurely old. According to popular reports as to the sizes of mill village families, one might think that the women were worn out bearing and rearing large families of children. The families reported on in this study do not

appear to be as large as the proverbial ones, however. More to the point is the fact that many of the mothers said that they work in the mill, either for all or for a part of the time. Probably the heart of the problem of the mill village women is contained in a statement of one of them,—"What with work and all, it plumb wears a body out to feed and bring up a family on a mill wage." A further statement from the Public Health Service study is the following: "It will be noticed that the disability for women appeared to be slightly higher than for men in the upper income classes, while in the lowest income classes exactly the reverse is true. A partial explanation of this fact perhaps is that women of the poorest class were likely to be up and attending to their housework and mill work even when ill, and, therefore, the enumerators failed to report some of the actual sickness among the class."[3]

Many complained of being sick very often. One said that she had had a fall three years before and had suffered from headache constantly ever since, but had not had money for a medical examination. Another said she was under the care of the county nurse who told her that she had tuberculosis. Although she felt "poorly" most of the time she did not believe she had "any consumption," so she was not taking the precautions advised by the nurse to protect the ten children in the household. Many other women complained of "nervous indigestion until I ain't fit for nothin.'" Some inquiries were made about their diet and the answer in almost every instance was that the staple food was hot bread and fried meat with cake and pickles when possible.

One writer says: "The diet of the mill worker is largely fried food, purchased and prepared uneconomically. What other dishes, indeed, can the small girl or the weary mother, with their limited energy, patience, and knowledge, prepare? Moreover, the climate and food costs discourage baking in any but a hasty manner. The task of keeping house more often than not devolves upon someone considered unfit for the mill work in which the rest of the family engages. . . . The effects of this division of labor are evident in the broken families, the sallow faces and under-nourished, ill-clad bodies, of the workers, and their children."[4]

[3]*Ibid*, p. 10.

[4]Nichols, Jeanette Paddock, "Does the Mill Foster Any Social Types?" *The Journal of Social Forces* (The University of North Carolina Press, Chapel Hill, March, 1924). Vol. II, No. 3, p. 353. For a further discussion of the relation of diet to health of the cotton mill workers, see Edgar Sydenstucker (and

Regardless of what the opinion was concerning the good or bad points of union activity, every person was sure of what would be the consequences of attempting to organize a union. "The boss would kick the life out of a worker trying to start a union." "The boss sure wouldn't have no union men at this mill." "The men getting up a union would be fired right away." "The higher-ups don't want no union and they would step right on one." "If a man wants to keep his job he better stay out of a union. The boss knows every time a man turns around and he ain't going to have no union help."

It was so difficult as to be almost impossible to get any constructive opinions about the communities themselves, the facilities for recreation at the present time, or what might be desirable for the future. Many who had lived in their village for a very short time said that they did not know enough to make a statement. Others said that the villages were good, the best anywhere around and they did not know what would make them more desirable as a place of residence. Most of those who stated which organization or group within the villages they considered the most desirable said that the church exerted the best influence. When asked why, they replied that it "makes folks be good," and that the church always is the best thing in the community. Real reasons of concrete nature which are given to prove the worth-whileness of an agency are usually given in support of an opinion that one of the lodges, usually the one to which the speaker belongs, contributes more to the villages than any other organization. Very little opinion was expressed in regard to the welfare work which had been done or was being done by the company. The schools were very generally commended.

The older people, both men and women, dress plainly, and make no attempt at personal adornment. At home, at church, or in the city, they make little attempt to keep in the fashion in dress. Because of their physical appearance and dress, the older group of mill workers can be noticed often in the crowds on the city streets.

In these respects, the younger people are in contrast to their parents. They express no desire to live in the country, but say that they like living near people, although many say that they do not care about living in a mill village. Occasionally, a young mother may say that she would like to live in the country, but further questioning is likely to reveal the fact that her desire is prompted less by

others), "A Study of the Relation of Diet to Pellagra Incidence in Seven Textile Mill Communities in South Carolina" (Government Printing Office, Washington, 1920) Public Health Service, Public Health Reports, Reprint 587.

an affection for rural life than by a wish to separate her children from undesirable companions. Although a number of the young mill workers are pale and anemic looking, they have the same general appearance that any young group of workers have. They dress more in fashion than their parents, and are found imitating the latest styles not only in dress but in speech and their manner of amusing themselves.

Most of the houses have space for gardens at front and back. Some of the workers have planted flowers and vegetables in their plots; the ground around other houses looks as if it had never been tilled. Most of the gardens belonged to the workers who had been living in the village for some years. Some of the bare plots, however, belonged to those who reported that they had been in the villages as long a period as ten years.

The same variation was noticed in the appearance of the interiors of the houses. Some of the houses were absolutely bare and without any attempt at decoration, although they were spotlessly neat and clean. A few were so filthy that it required an effort to remain in them. Not many of the houses were furnished with anything but the bare necessities for living, yet in a few others many degrees of "fixins" were noticed. Window curtains, enlarged pictures of the family, colored calendars, and small photographs were the chief materials of decoration. Usually, the house was small for the family so the living room was used also as a bed room by some member of the family. Embroidered bed spreads and pillow covers often adorned the bed in the "front room." Some of the women took great pride in their houses and were pleased to have their efforts to make the place attractive noticed. Others said that they "could not get any heart to work around the house" when they were tired most of the time and when they might move any day. Besides, they said, there was no money in a mill family for "fixins," a remark sometimes said with feeling, sometimes with indifference.

Very few of the people had much to say about the world outside their own, and the other mill villages in which they had lived. The women stated that they were too busy to "fool with them things" and that they leave "such" to the men. The men on the other hand say that they do not have time to "get around much." Those opinions which were expressed were in general agreement with each other. There is very general approval of the prohibition law and of what the law, if properly enforced, will do for the country. When pressed for reasons to support the opinion, a local reason was always given.

Discussions of political issues brought very little response. The attitude seems to be well expressed by one man who said, "Mill workers pay no taxes, then let them keep out of politics." The same apathy was evident towards other questions of wide interest outside the political field. Many of the men and almost all of the women interviewed said that they never voted.

Most of the people have a great prejudice against the foreign born, "Yankees" and "furriners" being placed in the same category. In the attitude towards the foreign worker, there is a decided feeling of economic competition to be noticed in the answers which were received to questions concerning what they thought of these workers. The cotton mill worker in the South rarely comes in contact with a foreign worker, practically never with one who is his direct competitor, yet from some source many of them have a well defined opinion about what actual competition involves.

The expressions of opinion regarding the negro as a person and as a competitor were not very different from those regarding the foreigner. The opinions concerning the negro were expressed with more than the ordinary contempt of the Nordic for any other blood, and were often elaborated by personal experiences. In this case again, the cotton mill workers do not compete with the negro for work in the mills, as negroes are not usually employed on machines where white people are working. This is an unwritten law in most states, but in South Carolina there is a law on the statute books forbidding the employment of a negro on the same machine with a white person. Most of the opinions about the negro are in terms of social contempt rather than economic rivalry.

With these few exceptions, the workers reacted negatively to questions about the knowledge and contact with the outside world. Local suggestions are the starting points and ending points. This evident lack of intelligence about things in general is what one would expect to find, in the light of the few checks that are available concerning the general intelligence of cotton mill village inhabitants. These are available for school children only. In *A Study of the Mill Schools of North Carolina*,[5] Dr. J. H. Cook gives some results of intelligence tests given to children in mill schools. He says: "According to the comparisons made on the basis of age and grade, the children of mill schools fall far below the standard in general intelligence. This may be attributed to a repressive environment in community life, insuffi-

[5]Cook, J. H., *A Study of the Mill Schools of North Carolina* (Teachers College, Columbia University, N. Y., 1925), p. 2.

cient reading material in the homes and the school, and the native ability of this group being below that of the average. . . . To summarize, children of mill workers, considered as a social group more or less segregated from the remainder of the population by living in mill towns and attending mill schools, fall considerably below standard in general intelligence. The native ability of the group, while lower than normal, is not as low as the scores would indicate."

Many of the people testified that they are satisfied with the conditions under which they work, that the boss is good, that the community is one of the best. On the other hand, especially in two villages, there are many complaints that the workers are not as prosperous as they were two or three years ago, and that their wages are getting lower and lower. Many complain that the work is hard, especially in the summer months, that it wears a person out, that the work day is too long, but at the same time they maintain, in answer to a direct question, that conditions are good. The outstanding difficulty with mill life is that of making enough to care for a family. One woman says that she never goes back to her old home because she will not let her friends know that she lives on a "mill-hill" where her "old man" can't make a decent living for her and the children. When asked if she ever went any place, she answered that she did not. The only place where she wished to go is to church, but she had no clothes which she could wear away from home. She would not go in her old clothes and have people say, "Look at the old scarecrow in her working clothes." Such a statement as "You sure do have to slave your life away at the mill and you get nothing for it, but there is nothing else for poor folks to do" is frequent.

Closely connected with the idea of the hard work and poor opportunities of which the workers complained was their sense of social inferiority which they constantly express. Some of their statements will be discussed in connection with their attitude towards their children. There was, however, a very well defined feeling of low social status because of living in a village, quite apart from the children.

No analysis of why conditions are as they are or any feeling that the workers do not get the best possible treatment is made. The one thing on which there is almost unanimous agreement is that the boss is the best friend a man has. He is in no way connected with the conditions about which there is complaint.

Workers in all three villages were organized into labor unions in the organization campaign of the United Textile Workers in 1919-1920. In one the union was never especially active, but it was more so in the others. One of the villages was the scene of one of the most bitter of the strikes in the Southern mills following the organization campaign. The union existed in none of the villages at the time of the study but the workers had some experience with organization and expressed their opinions about what they thought of the old union and of the prospects for a new one. Many of the opinions were in favor of having a union—those who thought the old union a good thing wished that another one might be started.

Questions as to the kind of recreation which they enjoyed and would like to have in the villages brought various responses, the predominant one, especially from the women, being that they had no time for any at all. Several men stated that they go into the moving picture houses whenever they can, which is not often. The majority say that after a hard day in the mill, they have no interest in going around. When asked if they would like to have anything different or additional in the village, the reply was that there is no time to go, and certainly no time and money to support it, as the villages were "overdone with that kind of thing now."

Perhaps there is nothing which throws as much light on the ambitions and hopes of the mill people as their plans for their children. With few exceptions, all of them stated that they like their work, though most of them state certain limitations. But few of them wished to have their children go into the mills. Most of them said they would send them through high school and a few said they would try will send them through high school and a few say they will try to to help them get to college. A few have in mind definite occupations which they wish their children to enter. Most of these are professional kinds of work; for boys, ministers or doctors; for girls, missionaries or school teachers. Most parents, however, have no particular plan except that they would like to have them stay out of the mill.

Reasons given for wanting the children in other kinds of work vary, of course. Most of them center around the idea that mill workers have no chance, that it is a "hard life for no pay." Others said that mills affect the health of all who work there, especially the health of the younger people.

On the other hand there is a minority group which said that mill work is all right, that wages are steady, and that they have no ob-

jections to their children going in as soon as they were old enough to do so. On the whole, however, the sentiment was on the side trying to get the children out of the mill into other kinds of work. The irony of it all is that in the majority of the cases the children, regardless of how much the parents wish that they do otherwise, go into the mill, if not when they are of legal age, at least soon after. There are exceptions to this, of course, but the fact that the few children who do succeed in other occupations are so frequently cited merely proves that their careers are exceptional. Some in these villages escaped, but the children of most mill workers sooner or later follow their parents into the mill to work.

On the basis of the kind of data given in this paper it is perhaps unwise to assert conclusions in the sense of stating on the evidence brought forward a dogmatic assertion which might be possible as the result of exact measurements. It was stated above that the purpose here is a very different one, and in the light of that purpose it is possible to state certain conditions and attitudes and to indicate the trend of them and their meaning.

The immediate concern here is not whether these workers so recently moved from their country homes to the cotton mills have improved their economic condition or not. Evidence on the subject would seem to indicate that more dollars are passing through the hands of the mill worker than passed through the hands of the farmer. There is probably a chance for more possessions as the result of cash money. Nor is the purpose here to answer the question of whether the exchange of freedom of country life for the semi-dependence of the mill worker is a poor one or not. With the continuous growth of the cotton mills in the South, the industry will be placed more and more on an equal footing with the industries in other sections of the country. With this condition it seems likely that there will emerge a more independent group of workers, since the condition will bring along with it a greater economic power on the part of the workers who are at the present time more or less bound by a restricted labor market. No amount of sentimentalizing about employers and workers being of the same blood can alter that fact.

There is sufficient evidence to conclude that there is a considerable amount of social unrest among the workers, especially in Villages Two and Three. It runs its course in voicing complaints, or, if the worker has special initiative, it may cause him to move to another village. The workers are too close to the soil to feel a great inclination to collective action. They are individualistic farmers

thrust into an industrial environment. Their attitude towards the union in which some of them have had experience and about which most of them have heard was about equally divided between those who were favorable and those unfavorable. There is little determination among those who are inclined to believe in the unions as a way of bettering the conditions of the workers. One reason for this is the fear of losing their jobs, another a conviction that the workers will not stand firmly as a group in any organization.

What is evident from the investigation described in part here is that in these typical mill villages the workers seem to be tired and lacking in vigor and initiative, that they are poorly equipped to meet life, that there is little in the villages to encourage them to develop. The welfare work which is often thought of as being a means of raising standards was found to exert little real influence among the workers. The villagers, except for the frequent newcomers whose experiences in other villages have been similar, are largely an ingrown population with little knowledge and contact with life and, what is more serious as a result of segregation, for the most part they feel a sense of social inferiority. Their children they wish to send into other occupations but the cases of doing this are practically none. Most of the children follow the parents into the mills and begin a new generation of mill workers, continuing to live in isolated communities, to earn a low wage, and to drift from village to village. In short, the worker gives little to the village, and in return the village in reality gives little to him.

EDITOR'S NOTE.—A more complete account of Miss MacDonald's study will be found in her recent book, *Southern Mill Hills*, published by Alex L. Hillman, 80 East Eleventh Street, New York (1928).

THE ECONOMICS OF WELFARE WORK IN THE COTTON MILLS IN THE SOUTHERN STATES

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This paper is intended as an analysis of a problem, not as a statement of conclusions. In the seven years or so during which I have been engaged in the study of labor management in cotton mills, I have found myself growing more and more hesitant regarding the conclusions—and at the same time, more impatient with the superficiality of certain of the studies which have been made. My own thoughts on the subject I present to you very humbly, and with the purpose of seeking your criticism, your opinions, and thus new questions, from as many points of view as possible. At the outset let me remind you that I am considering the economics of welfare work: and I shall confine myself to that one topic, without any attempt to discuss at the same time the ethics of welfare work, or the sociology of welfare work.

Welfare work, for the purpose of this paper, is defined as provision of consumers' goods by the employer in addition to the consumption possibilities contained in the pay envelope. The goods in the welfare budget are distinguished from the goods in the wage-earners' own budget in that: (a) they are offered the community of employees and their families, not on a basis of earnings adjusted to the value of individual service rendered, but in recognition of a status (i. e. as "dependent" on the company); and (b) the goods are something to be taken or left, without the privilege of choice between these and other alternatives. Hence the control by employers over the consumption schemes of employees.

Is "welfare," so defined, to be counted as a cost of the business? Or is it to be entered on the books as a generous contribution to charity from the employer or the industry? We find both attitudes expressed. Surely, when welfare expenses are equaled or surpassed by a saving on other items, they are to be included in necessary costs, they are not something offered over and above what shrewd business would appropriate. Similarly, welfare is a cost, and not a gift, if it results in improved production. We have heard much of the high cost of "ill will": the hard-boiled business man knows that good will pays, whether on the part of customers or of employees. At a meeting of the National Association of Cotton Manufacturers in 1923, one of the speakers reminded his audience (of what they

already knew, as I fear is the case with most of us speakers before professional conventions) that: "It is supremely important to recognize that the lack of sound and constructive human relationships in industry has caused fully as much unrest and trouble as lack of proper economic conditions in terms of dollars and cents, for it is a fundamental fact that the state of a workman's mind, much more than the state of his purse, determines his acts. . . . Motives, not wages, control productive effort." (See Transactions of the National Association of Cotton Manufacturers, April, 1923, pp. 116-138.) Since this is the case, how can any but the most gullible of satisfied employers take credit to himself for his kind paternalism?

Obviously, also, welfare is a necessary cost if it serves as a substitute for wage increases. And welfare is a cost if it brings the well being of the employee up to a necessary minimum, whether this minimum is defined as such by the worker or by an attentive community. For otherwise the deficit will be made up through minimum wage legislation, through taxes for poor relief, or in losses of the employer when he pays the cost in poor work received. Welfare may well be maintained by an industry which fears the alternative of state interference and adverse public opinion.

Why have employers introduced welfare into their plants and company-controlled towns? William Gregg, cotton manufacturer in South Carolina in the 1840's and 1850's, discussed the matter with his stockholders in 1855. His presentation discloses a mixture of philanthropy and shrewd business sense. Unless the operatives are trained not only to work but also to live efficiently, the local industry cannot hope to succeed in competition with workers bred in a longer tradition of industrial production. At the same time, Gregg appealed to his fellow capitalists to consider the plight of the poor white people of the South, without a place in the economic system unless one were created for them by the establishment of industry, and denied the privileges of education and religion until schools and churches should be built and moral instruction provided by their employers. The same mixture of motives is to be found dictating to many a cotton mill employer in the South today. A church is provided for the help, and perhaps the manager or even the president of the company conducts a Sunday School class and makes a present of becoming uniforms to the mill band: while wages in his mill remain lower than wages paid by some of his competitors, and hours are longer. The president of one of the most important mills in the South is said to have started life as a theological student, who later

took up mill management for the purpose of improving the condition of wage-earners. One of his subordinates, when asked to explain the elaborate welfare organization in the village replied: "To draw a high type of labor. You cannot make good cloth by using poor labor. So we have schools to develop intelligence in the children who are going to come into the mill, and we employ a preacher to build up character. There is a kind of competition in it: the mills who offer most get the best help away from the other mills." Many parents in the villages will tell you that they have brought their families to the mills to get them educated by the company school. And as long as the schools in the mill villages are superior to those supported by the counties, the manufacturer will find that a good school pays. The *Textile World*, February 3, 1923, published a picture of a kindergarten, entitled: "Getting them while they're young: Kindergarten at one of the mills of the Victor-Monaghan Company." The welfare budget gets results in improved production, and the mill manager is aware of the relation between well-being and efficiency.

William Gregg understood also that if the mill would provide houses and a community life for the employees, they need not be exposed to the distracting influences of town life, and to the various currents of general public opinion. Gregg's argument may be paraleled by this from *Cotton*, February, 1924, p. 191: "The mill and its village form a community, not only of property, but of interests, and there is a direct by-product in the loyalty, decrease in turnover, and controllability of the workers not obtainable under conditions where the operatives are scattered residents in an adjacent town." There are employers who do not deny that they offer welfare as a substitute for trade unionism: note frequent references to "the contented Anglo-Saxon labor of the South." There are others who, since they class themselves and their employees together in a superior group, the "Anglo-Saxon," are emotionally conscious of a bond of fellowship, and who take pride in a development which appears to them as improved social conditions. Cotton mill capitalists are not immune to *the reformer zeal*. Said one cotton mill president to me: "I consider that I have the largest parish in this state." At the same time he censured, almost abusively, university researchers and government inspectors alike as "interfering reformers," whom he would keep out of his village, or order out, lest they corrupt "my people." In his case, as in others, it is difficult to decide to what extent welfare is an expenditure in prevention of higher costs, and how much is to

be charged to indulgence of the paternalistic impulse and to the pleasures of dabbling in the lives of others.

It may appropriately be asked whether actually welfare expenditures by Southern cotton mills have been a substitute for wage increases. That is, does it cost an employer less to pay outside the pay envelope than in it?

Wages have been, and are, higher in Northern mills than in Southern, whether we take hourly wages, weekly wages, or annual earnings. This difference is variously explained. It is said that lower earnings in the South result from the higher proportion of women in the labor force of the Southern mills. Actually, the proportion of females is higher in the New England mills, and always has been. The higher percentage of children in the Southern mills has been pointed out. I ask: which here is cause, and which effect? Child labor or low wages? A third explanation is that Southern mill workers expect to receive only partial support from wages: typically they raise vegetables, chickens and other produce on the lot or village common. "In many villages land seeds are being furnished to the operatives by the mills, for the purpose of raising in gardens their own vegetables, thereby reducing the cost of living and improving living conditions." (Report of the Commissioner, South Carolina Department of Agriculture, Commerce and Industries, 1916, p. 13). It can be argued that the Sothern textile operative has not yet completed the transition from an agricultural to an industrial basis. Such a combination economy has its good points; but it is justified only if the working day in the mill be shorter than for a wage-earner who depends only on industrial earnings for his living. The working day of the low wage Southern operative is typically longer than the working day of the higher wage New England textile worker.

A favorite argument of employers in low wage states is that the wage earner's cost of living is less in the South than in the North. Governor Hammond of South Carolina gave publicity to this notion in 1850. "The necessary expenses of the Southern laborer are not near so great as are those of one in Northern latitudes. He does not require as much, nor as costly clothing, nor as expensive lodgings, nor the same quantity of fuel, nor even an equal amount of food. All the fermented and distilled liquors which in cold climates are in some sort necessaries, are here uncalled for and injurious indulgences. Corn bread and bacon, as much as the epicure may sneer at them, with fresh meat only occasionally, and a moderate use of

garden vegetables, will, in this region at least, give the laborer greater strength of muscle and constitution, enable him to undergo more fatigue, and insure him longer life and more enjoyment of it, than any other diet. And these, indeed, with coffee, constitute the habitual food of the great body of the Southern people. Thirteen bushels of corn, worth now, even in the Atlantic Southern States only about $6 on the average, and one hundred and sixty pounds of bacon, or its equivalent, worth about $9, is an ample yearly allowance for a grown person. Garden vegetables bear no price except in cities. If sugar and coffee be added, $18 or at most $19 will cover the whole necessary annual cost of a full supply of wholesome and palatable food, purchased in the market." After submitted an estimate of the cost of subsistence of the European laborer, the Governor continues: "All these facts show that while wages have fallen already in Europe to the lowest possible point, we have a large margin left for their reduction here, should circumstances demand it, and that we have no reason to dread her 'pauper labor' in the future." (*De Bow's Review*, vol. VIII, p. 513.)

However, important differences in the cost of living between North and South were not found by the National Industrial Conference Board investigators in their study of textile centers in 1920. "Clothing used the year around in the Southern mill districts does not differ materially from that worn by mill workers in the North. Poorly heated houses necessitate heavy clothing in winter and such substitutions as may be made would add if anything only a small sum to the total cost." (National Industrial Conference Board, *Special Report Number* 8, p. 9.) The custom of having the children go barefoot in summer decreases the children's allowance somewhat. (*Ibid.*) Mill houses are often not plastered, are invariably built without cellars, and consequently are very difficult to heat. "It is not surprising, therefore, that the average amount of coal burned by Southern mill operatives is quite as great as that consumed in the tenements of the North, where the winters are longer and more severe." (*Ibid*, p. 13. Estimates for coal varied from three to four and one-half tons.) The difference in costs of fuel is due to the fact that many of the Southern mills provide coal and wood to their employees at cost. (*Ibid.*)

Likewise, the U. S. Bureau of Labor Statistics studies of Atlanta, Charlotte, Lawrence and Fall River, in 1918-1919, do not lead to the conclusion that cost of living differed greatly between Northern and Southern cities. A difference in cost between Southern village and

Northern city is to be expected in the item of food, and is to be explained chiefly by the fact discussed above, that much of the food consumed in the mill village is raised by the operatives themselves, and that prices in the local stores must take into consideration competition with home products. As for rent: the lower rents in the Southern villages are paid for company houses, and therefore adjusted to wages; for which reason the item rent cannot enter into our comparison at all. One might compare the quality of housing enjoyed by the Northern operative with that of the Southern operative. But such comparison is difficult, as it must be made between buildings planned as shelter against severe winter weather and a type of cottage open to mild air and almost perennial sunshine.

There are those who admit that real wages are lower in the Southern section of the textile industry, but who submit in explanation that the standard to be maintained is lower in the South. It will not be out of place here to analyze the causes of an inexpensive standard of living. A low standard of living may be due to the inescapable fact of "the state of the arts"—as in the Stone Age, or in William the Conqueror's England. A low standard may be due to custom, in a static society; or a part of the population may be unable to hope to raise a standard set for it by the traditions of a caste organization of society. Again, persons of low mentality, incapable of appreciating more than the simplest animal needs, may have no use for more than a bare income. None of these causes applies to the case in point.

A low standard of living may survive in isolated places, out of touch with the market, and to which advertising has not penetrated. We distinguish "frontier conditions" from "poverty" as in J. A. Hobson's definition of poverty—"the difference between the number of felt wants and the power to satisfy them." William Gregg gave his stockholders several reasons why cotton mills had better be located remote from civilization. One was his fear of contagion, from the fevers found in towns, but he listed also the high cost of living in cities, the city standards of living, and other "corrupting influences of the city" which he leaves us to interpret from the context as having to do with the docility of labor.

Finally, a sufficient cause of a low standard of living is the persistence of low wages in the community as a whole.

Which of these conditions explain the standard of living of the Southern cotton mill operative? It will be interesting to examine the studies of operatives' budgets made by the National Industrial

Conference Board, and published in *Special Report Number* 8, on the cost of living among wage-earners in Greenville, South Carolina; Pelzer, South Carolina, and Charlotte, North Carolina, in January and February, 1920. The cost calculated was that of a "fair minimum standard of living according to conditions as they actually existed in the winter of 1920." The increases in the cost of living in these communities from 1914 to 1920 also were secured, from the records of local stores. This fair minimum standard is the *lower* of the two standards used in the Conference Board's study of the cost of living in Fall River and Lawrence, Massachusetts, for the reason that "the establishment of the more liberal standard was of necessity artificial."—(*Special Report Number* 8, p. 2, *n.*) This "lower fair minimum standard" for January-February, 1920, was fixed, by the Conference Board investigators, at $1,393.60 for the neighborhood of Greenville, S. C., and at $1,374.09 for Pelzer, S. C. This sum was to meet the necessary minimum budget of a man, his wife and three children below working age. In December, 1919, the South Carolina State Commissioner of Labor reported $767.02 as the average yearly earnings of males employed in textile mills in the state. At the same time, the average yearly earnings of women were $505.56. In other words, it would require average full time employment of both parents to support the family of five. To get comparative costs for other years back to December, 1914, we can deflate the N. I. C. B. budget cost according to an index constructed by averaging cost of living changes reported by the Bureau of Labor Statistics for the four Southern cities nearest to the Greenville-Pelzer region for which data were collected by the government—that is, Atlanta, Savannah, Norfolk and Richmond. The N. I. C. B. budget was priced for January-February, 1920. If we take prices for December, 1919, as a base (the nearest date for which Government figures are available) we get, as our deflated *minimum* family cost of living for 1914, $702.07 for Greenville and $692.24 for Pelzer. The most conservative estimate possible for 1914 is secured by taking for the base the peak of the cost of living increase: that is, June, 1920. The estimate which results is $656.12 for 1914 in Greenville, and $646.94 in Pelzer. Turning to our South Carolina state reports we find that in 1914 the average yearly earnings of male wage-earners in textile mills, sixteen years of age and over, was $347.41, and of similarly adult females, $276.09. For the cotton mill family, in which both parents worked an average full-time year, at the average wage, combined earnings were $623.50, to meet a

necessary budget of $656.12 to $702.07 in Greenville, or $646.24 to $692.24 in Pelzer.

The picture for 1914 becomes even darker when we examine what items appear in the budget allowed. It is seen that the maintenance of the family requires the regular (average) employment of both the father and the mother. And yet the budget for the woman's clothing allows, not dresses and underwear, but the *material* for these. Not only must the mother have worked in the cotton mill in order to secure forty-four per cent of what did not quite support the family in health and decency, not only did she prepare the family's food and tidy the house, wash the clothing and bed linen (since there is no allowance for laundry in this budget)—but she made up from the material allowed, every year, for herself, two and a hlaf dresses (she had no others), three aprons, three chemises, one petticoat, three nightgowns; for the boy age 13-14; three shirts, and two night shirts; for the boy age 5-6: three blouses and two nightgowns; for the girl age 8-9: one wool dress, two cotton dresses, one white petticoat, two pairs bloomers and two nightgowns. It is to be observed also that no sewing machine is included in the budget. We remember also that we have frequently been told by welfare workers in mill communities that a great many of the women coming to the mills have learned to use the hoe but never the needle.

In the easier days of 1920 the wage-earning mother would buy her own clothes and her children's ready-made, and probably employ a negro woman for the laundry. The year 1920 also was one for buying furniture and perhaps a second-hand automobile. Families of which two or more members were earning the 1920 wages did indeed live better than in 1914 they had dreamed possible. And while wages have not remained at the 1920 lveel, neither have they fallen to the pitiful inadequacy of 1914. However, at no time, not even in 1920, did the average earnings of adult males in South Carolina meet the requirements of the N. I. C. B. standard—that is, two wage earners have been required in each family of two adults and three children below working age, in order to provide the *minimum* living.

It seems clear that the average earnings in the textile industry of South Carolina have been unable to provide the living defined by the employers' Conference Board as *minimum*. The economist asks: has the "welfare" provided by the employer been of sufficient value to make good the difference? Any answer to that question must follow a careful estimate of the value of goods and services provided outside the pay envelope, and if such estimates are to be significant,

the value received must be examined not only from the economic, but also from sociological and ethical points of view.

On the other hand, also, I am not at all satisfied that we have yet an adequate statement of the real wages of Southern cotton mill operatives. The B. L. S. general cost of living index cannot be applied to Southern cotton mill wages, for several reasons. In the first place it is based on retail prices in cities. In the second place, rents for company houses in the villages have not increased at the same rate as have rents paid by wage-earners in other industrial centers. Third, fuel and light in many cases are supplied by mills to their employees at reduced rates. There is also a problem presented in the "miscellaneous" class of expenditures. Many items included in the B. L. S. budget are provided by mills as a feature of their welfare program, either free or at artificially reduced prices: e. g. a large share of church expenses. Yet must not the advantages of this practice be discounted to the extent that they carry no choice of alternative opportunity?

Finally, what is the cost of "welfare" to the employee? A welfare program in addition to the pay envelope and as justification of low wages, may well seem to him to be a case of employer's control of the operatives' earnings, and thus a despotic paternalism. In personal and household economy, as in other undertakings, we learn through practice, by trial and error. We cannot practice economy of income unless we control the budgeting of the whole, not only of a part, of our earnings. For this reason, the question of whether, in the future development of the industry, welfare will be carried as an addition to that part of the pay delivered in the envelope, or whether it will be allowed to lapse in favor of wage-increases, would seem to depend on the bargaining power of those whose earnings are the spoils for distribution.

COOPERATION AND THE PROBLEM OF AGRICULTURAL RELIEF

PROFESSOR E. M. KAYDEN
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The farm problem presents exceptional difficulties partly because our outlook embodies a traditional idea that the farmers are the "real producers" of wealth, and should therefore be maintained on the farms under satisfactory conditions of life. Such a belief omits the profound changes of recent decades brought about by science and social advancement, factors which weigh heavily on farm prices and underly present-day distress. Farm production has increased in spite of the shrinkage in farm population, and will continue to increase because even today only a small proportion of our farms are properly equipped and managed, less than 20 per cent. The movement of farmers to the cities does not threaten the food supply of the country. Prices must continue to fall under greater production and the inelastic demand for foodstuffs. Thus the economic trend in agriculture is running contrary to the principle of relief through higher prices.

Coöperative marketing has come to be regarded as the farmers' institution of collective action in the market. An agricultural program is wanted, not primarily because of low prices and distress, but because we need new fruitful methods of organization and action. Coöperation, orderly marketing, price stabilization, and similar catchwords indicate the growing need for some form of united social action, the need of some new institution that is democratic at the bottom.

First, let us look at the gains of coöperative marketing in recent years. Between 1915 and 1925, the number of coöperative associations had increased by 99 per cent; membership, by 315 per cent; business transactions, by 277 per cent. There were at the end of 1925, 2,700,000 members marketing commodities to the value of $2,400,000,000, of which grain, dairy products, livestock, fruits and vegetables, cotton, and tobacco represented 88 per cent of the total. At the end of 1927, there were 11,400 associations with a membership of nearly 3,000,000. These figures do not include farmers' educational and production improvement associations, farm loan and credit associations, coöperative insurance and utilities; the figures refer to marketing associations solely. From a business standpoint, 69 per cent of these association were formed with capital stock, pay-

ing on the average between 6 and 8 per cent; 61 per cent of the total number were making patronage refunds; 86 per cent served non-members as well as members; and 16 per cent had marketing agreements with their members. In the field of grain marketing, farmers' elevators handled about 36 per cent of the wheat crop in 1926-27; the 12 wheat pools handled in recent years between 16,000,000 and 27,000,000 bushels, and 8 farmers' commission agencies handled about 35,000,000 bushels. The livestock associations handle about 16 per cent of market deliveries. The cotton coöperatives handle about 9 per cent of cotton ginned. Generally speaking, the aim of coöperation is to achieve a more rational system of marketing, better service, and better returns. Coöperation presupposes loyalty, education, familiarity with the markets, and collective dealings. It aims to evolve a selling organization commensurate with modern national economy. It represents a need for social control and guidance in the complex relationships of the market.

Coöperation in America has not been characterized by patient work and loyalty. The promoters of coöperation have too often preached centralization and control, in terms smacking of monopoly. It was believed that organization would enable the farmers to "set" the prices, eliminate middlemen, and bring quick relief. Fortunately, after repeated failures, there are now beginnings of a new orientation; there is, for instance, the spread of the doctrine of coöperative education and field service, more flexibility in the members' contract, more of publicity and accounting, more of research and analysis. It may be hoped that the coöperative system would mark the beginning of a new rural civilization. It is clear that any system of relief that departs from the principles of voluntary association and self-direction and democracy mitigates against the future development of coöperation in America.

The McNary-Haugen legislation is a step backward. It proposes to establish a Federal Farm Board, with advisory councils for each commodity, to aid farmers' coöperative organizations in the marketing of surpluses. It is believed that the withdrawal of the surplus stock from the market would increase the domestic price. The bill does not attack the problem of production; the primary end sought is the maintainance of prices. It requires no economic profundity to prove that the equalization fee would not deter increased production; the war experience proves that under the stimulus of better prices production is easily expanded. The experience of the California Raisin Growers and the Burley Tobacco Association also

shows the influence of price fixing on producton, which in the end leave the farmer no better off. The evidence of the Canadian wheat pool leaders makes it clear that it is the size of the crop, not withholding or controlling the flow of wheat to the market, which influences price.

The feature of the McNary-Haugen legislation proposing compulsory 100 per cent coöperation through Government action is a grave danger to the future of the movement. The Senate Report 1304 declares that it takes 100 per cent coöperation to deal effectively with the surplus, which of course constitutes a flat contradiction to the nature of coöperation, a denial of its fundamental principles of freedom and voluntarism. Coöperation does not need to enlist every producer. American experience, as well as that of France, Denmark, Russia, and Germany, is rich with the failures of coöperation which does not enlist the loyalty and intelligence of the members. The agricultural surplus control bill would check the new healthy tendencies in the American coöperative movement, because it would reduce membership to the status of only supplying an agency under government control with specific farm commodities. The members will have no opportunity of relating themselves intelligently to the processes of the market, they will have no control over the local agents, no reason to become intelligent as producers under a dead-level compulsory system of participation. The new proposals represent even more of centralization with the inevitable monopolistic aims that characterized the economic thinking of our recent coöperative leadership. Therefore, it is a danger to the future of true coöperation; a step backward.

A sound system of coöperation should be the central concern of any new legislation. Coöperation needs the support of certain types of enabling legislation, agricultural science and education, and of collective special service activities. In the field of existing enabling legislation we find the Capper-Volstead Act; Section 6 of the Clayton Act which excepts certain types of farmers' organizations from the operations of the Federal Anti-Trust law; and the coöperative marketing act of 1926, by which Congress has recognized the coöperative system as the farmers' special institution and provided for the promotion of certain economic activities in its interests. In the field of agricultural science, research, and service, present-day state and federal legislation has fully met the claim that agriculture is a distinct and different industry, and the various administrative departments serve agriculture in ways that no other group of producers

is served. Then, too, the research and regulatory work of the United States Department of Agriculture is already very extensive, covering activities that enter every phase of production and distribution, all at the taxpayers' expense. Credit facilities are now provided by the Federal Reserve System, the Federal Land Banks, the Intermediate Credit Banks, and the Warehouse Act of 1916.

There is real danger in saddling government bureaus or boards with tasks that are best left to the initiative of individuals and groups. If there is real need of a national agency for collective action, it should be based on the principle of maximum self-direction. A national farm board should relate itself to the farmers' voluntary coöperative organizations, and be free from any form of state or federal officialdom. Such a board would be a national center for coöperative propaganda and education, a source of local initiative and helpful direction. Such a board, acting through its coöperative membership in the localities, would naturally disseminate the decisions and dictates of scientific agriculture and management; under such forms of voluntary membership, and of coöperation with the central board, tests of success and comparisons of results would become widely known; decisions would carry no coercion, yet would indirectly exert a sorbering influence along the lines of improvements in production, management, and coöperative organization. The deliberations of the board would tend to the better adjustment and gradual transformation of our environment, and would represent an experimental attitude in farm problems. We need a system of social action in agriculture founded on intelligent foresight, the knowledge of economic laws, upon action calculated to advance rational social ends. Such a board must perforce be a voluntary, independent institution, set up by the farmers' organizatons themselves, at their expense, serving as their instrument of collective action and adjustment in the ever-changing economic environment of the country. Such a board would be the agency of planning and control in agriculture, a center of influence and initiative, and a shaper of our rural civilization.

EDITOR'S NOTE—This article is only a resumé of the full paper read by Professor Kayden.

COOPERATION AND THE McNARY-HAUGEN BILL

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The paper which has just been read by Mr. Kayden has proposed a program of voluntary farmers' coöperation as an adequate agency for the relief of agriculture. I must confess with regret that I do not concur.

The present plight of agriculture, as I see it, is largely a problem in price economics. More is being produced than the market will absorb at prices high enough for agriculturalists' comfort.

It is true, of course, that much rural distress—unhygienic living conditions, unbalanced nutrition, and so on—is not purely a matter of price. It is partially a matter of stupidity. Toward the mitigation of this aspect of the agricultural dilemma, coöperation, obviously, can hope for many accomplishments. It can surely do something in the field of marketing; it can do a great deal in education, in the dissemination of scientific information, and generally in improving the tone of country life.

But most of these points connected with an infelicitous adaptation of the farmer to his environment have been with us always. And the fact remains that the present agricultural situation, insofar as it is relatively worse than it has ever been, is an affair of market price. Any satisfactory program for its solution, I believe, must present a method of handling the so-called agricultural surplus.

Especially is this last proposition evident when it is recalled that the ablest authorities who have been writing on the subject, among them during this year Mr. O. E. Baker of the United States Department of Agriculture, have concluded that our unprecedented post-war increase in farm productivity may reasonably be expected to continue for some years. Mr. Kayden himself has pointed out that there is still a possibility for greatly increased efficiency in a large percentage of our farms. The question of coöperation and farm relief, then, is essentially this: Is it sensible to believe that coöperatives can meet and conquer our farm surplus?

My own opinion is a decided negative. We have in the various branches of agriculture a condition of almost atomistic competition, with hundreds of thousands, in some branches millions, of small producers. It is quite clear to most of these producers that their individual salvation lies in increasing production at decreasing unit

costs; their temptation is always to secure, if possible, the benefits of collective action without participating in its duties and expenses. Add to these considerations the extraordinary width of territory over which our farmers are dispersed, their alleged individualism, and the task of organizing coöperation is sufficiently indicated. It is evident, nonetheless, that effective surplus or production control on the part of coöperatives must involve, if not 100% organization, at least substantially that.

My points, then, are these:

1. Agricultural relief, if it is now a greater problem than it has been, is a problem of price;

2. *If price can be controlled at all,* the presumption in the choice of an agency is in favor of positive, government action as against voluntary coöperation, which is likely to be incompletely organized and poorly articulated.

My conclusion is that a program of voluntary coöperation for agricultural relief is no program at all. Unfortunately, our most generous estimates of population increase, whether by Pearl, Lotka, Dublin, or the Scripps foundation, when plotted against the curve of probable future production, do not show the possibility of automatic readjustment in farm prices for the better part of a generation at least.

Mr. Kayden, incidentally, tells us that 100% coöperation ". . . of course constitutes a flat contradiction of the nature of coöperation, a denial of its fundamental principles of freedom and voluntarism."

Well, what of it? Presumably, the definition of coöperation can be sufficiently amended as to include the compulsory variety. For myself, I see no reason why coöperation need be voluntary any more than taxation or public sanitation are voluntary. Besides, coöperation, I take it, is not for the sake of coöperation, but for the sake of results. And when Mr. Kayden tells us that, "An agricultural program is wanted, not primarily because of low prices and distress, but because we need new, fruitful methods of organization and action," I am unable to follow him. My impression has always been that we wanted an agricultural program precisely because of low prices and distress. Personally, I imagine that the American farmers are somewhat like the donkey in the fable, which, as you all remember, was really after the hay on the end of the stick rather than the run.

Perhaps I should mention a thought which has undoubtedly occurred to all of us, namely, that coöperation, by spreading knowl-

edge of improved operating technique, might improve the situation from the cost of production side. This is already being widely done by colleges of agriculture, state and federal departments of agriculture, and other mediums. In the long run, it is socially and economically desirable, of course. In the short run, as I see it, the improvements urged consist simply of devices for spreading fixed and overhead costs, by means of increased operating effectiveness, over a greater number of units; and I am unable to see that the increased production resulting therefrom will not, for the immediate future at least, augment rather than alleviate the general price distress.

Now, in regard to McNary-Haugenism, I think that Mr. Kayden and I can agree pretty well in disapproving of it. However, I should like to add that, lacking fondness for the bill itself, I have even less taste for the general tone of criticism which has been leveled against it.

This criticism, for the most part, has been a litany of *laissez-faire*. Economists who are protectionists, advocates of labor legislation, public utility regulation, and a whole host of other measures have alike joined in denouncing the bill as "governmental interference" and rested their case, content. The least that can be said is that much of the criticism has been too facile.

Specifically, certain points in the usual indictment of McNary-Haugenism demand further investigation. Take just one of them for an instance, the commonly repeated assertion that a small price rise, even though distributed as far as possible over the whole range of agricultural activity, will certainly result in an enormous production stimulus. Possibly it will. But when it is recalled, first, that most farmers who have been able to survive at all are attempting to continue that survival by increasing production as rapidly as they are able, second, that the transformation of capital equipment and operating technique in a business so diverse and enormous necessarily takes time, and third, that no one has assumed price rises sufficient to draw capital and labor from the outside into agriculture (even the most hopeful of farmers' propagandists have limited their dreams to the nebulous concept of "parity" with industry), then the point of a greatly stimulated *rate* of increased production is open to serious controversy. An optimistic defender of price control, might even contend that a small price rise would actually diminish the stimulus and lower the rate of increased production.

In general the only assured statement in regard to McNary-Haugenism which the present speaker is willing to make is that most of its discussion has proceeded with a mistaken center of emphasis. It has been assumed that the question at hand has been to determine the effects of price control in terms of the net national economic dividend. When it has rather easily been shown that price control in favor of the farmers would have an adverse effect on the total economic dividend, it has been concluded that price control is, therefore, an anti-social policy.

The conclusion does not necessarily follow. If present farm distress is a problem of price, nevertheless, the reactions of price must in this instance be at least partially considered in terms of human welfare. And every economist knows that a smaller total national dividend, properly distributed, may mean more for total human welfare than an absolutely larger dividend, improperly distributed.

Mr. Kayden has argued for a new and revivified coöperation. I should like to add my own small plea for a partial re-orientation of farm relief and price control discussion. I should like to see more economists considering it in terms of long run social utility, and orderly occupational re-habilitation.

Incidentally, if their conclusions and recommendations thereby took on a tinge of sociological altruism, the results might not eventually be amiss. We shall one day need our agricultural capacity. From a purely selfish point of view, it might possibly be a bad idea to junk the plant and disperse the operatives because of a present loss.

EDITOR'S NOTE.—Mr Martin Amerous, a prominent Georgia farmer, suggested that all of the farmers' problems would be solved if the banks would simply extend sufficient credit to them. "If the banks would lend the farmers money at the rate of twenty-five cents a pound of cotton, cotton, automatically, would be worth twenty-five cents a pound and the farmers' problem of low income would be solved."

Mr. Stone Crane, of the Georgia Department of Public Welfare, called attention to investigations he had made of some "directed" farming enterprises. "Directed enterprises" were defined as farms where large units are operated by owners and tenants, the tenants being under "directed" instruction and supervision from the landlord or his superintendent.

Mr. Crane stated that he had compared some large "directed farms" with equivalent "undirected farms," which were operating under similar agricultural conditions. His results showed that the directed tenants cultivated 38% more ground, produced 42% more cotton to the acre, and 86% more cotton to the tenant; that the net income of the directed tenants was 80% greater per tenant, and 31% greater per acre; that the total net in-

come—to tenant and landlord—under the directed system was 107% greater per farm unit, or 82% greater per acre; that the directed tenants raised 51% more foodstuffs and were able to buy 96% more foodstuffs, than the undirected tenants; that the value of directed tenants' individual dwellings was 300% more, and their furnishings 120% more, than the undirected tenants.

The advantages of this "agricultural capitalism" over the older methods of agriculture were traceable, said Mr. Crane, to: (1) advantages accruing from "expert" advice; (2) from better equipment; (3) from greater mule power; (4) from better use of fertilizers; (5) from better seed selection; (6) from more scientific cultivation; (7) from more efficient use of labor; (8) from more expert marketing; and (9) from better living conditions that were furnished.

SOME FUNDAMENTAL PROBLEMS IN RURAL BANKING

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There has been much misunderstanding of the problems involved in rural banking. There has been a great deal of criticism, for example, of bank policies in connection with the problem of rural credit. Some of this criticism is beside the point, because it is based, implicitly or otherwise, upon the assumption that anyone ought to be able to borrow from a bank, and that all banks lend money under approximately the same conditions, so that the same standards for granting credit can be set up, and that the same technique can be followed by all banks. In limiting myself to a discussion of the problems of the rural bank, I do not wish to be misunderstood as suggesting that the city bank has no problems, or that those he has are minor ones. The problems of personnel, of the detail of bank management, of rediscounts, of granting lines of credit, of balancing the portfolio, of the use of the call money market, of the extent to which the investment market can be used, dealing in installment finance paper, these and many others make city banking an exacting and difficult profession. My point is that the rural banker's problems and the demands upon him differ in detail, however much they may fundamentally resemble those of his city brother; in many ways are more difficult to solve; and can not be handled in the same way. In addition he is called upon to face a number of situations which do not occur elsewhere. These problems are especially vital in the South, which is as yet predominantly rural.

Another assumption commonly set up is that the bank can use the same criteria as the individual or corporation lending its own money. I shall not stop to argue whether the famous "Three C's"—Character, Capacity, and Capital—are in fact the basis upon which money is loaned. The individual can lend his own money upon any basis he chooses. It is his own affair. But the banker is placing the bank's credit at the disposal of the borrower, and that credit is based almost entirely upon the fact that others have deposited their funds in the bank. That in itself wipes out almost entirely Character and Capacity as bases of bank credit, except as they may furnish some ground for discrimination among applicants when the demand for loans is great. They are worth little directly to the bank unless the vital determining factor—adequate marketable security—is actually or potentially present. Sound banking will not countenance even the remote possibility of entrance into business partnership

with borrowers. The pressure is especially great upon country banks to do so. But they above all others should take special care to avoid this. Some country bankers even go so far as to say that the question of adequate security is the only problem involved in the loan. If that is present, they say, the use which the borrower makes of the borrowed funds is none of the bank's business. I do not agree with that, for to say the least, the banker by counsel may sometimes correct errors of judgment made even by ordinarily capable business men and should be able to understand the former's problems. Strict adherence, however, to a requirement of adequate physical security, certainly makes for the elimination of some of the worries which otherwise would keep the banker awake of nights.

Most of the students of this field, whether writing in banking texts or in the so-called practical banking journals, fail to make clear the fact that there is a fundamental difference existing between the problems that the urban bank has to meet, and those facing the rural bank. For instance, the typical loan in the city bank is for 30 to 90 days, for an industrial or mercantile purpose almost cretainly self-liquidating, for which renewal will ordinarily not be asked, and which is secured by readily marketable collateral, or by endorsement of well-rated names. Moreover, since the purpose of the borrowing is usually directly for use in production or distribution, the loans are diversified in their nature, and, since the loan is usually of short duration, with the demand reasonably well scattered thruout the year, the problem of balancing the portfolio is fairly easy.

In the country, however, the typical loan is for 4 to 12 months, with a possibility, or perhaps I should say probability, that it will have to be renewed. It is usually for agricultural purposes, or for some purpose whose successful outcome depends upon the farmer's prosperity. If security is given at all, it is typically land—immovable, hard to value, and almost unsaleable at the time when the lien must be enforced. In some parts of the country—my own State for example—the problem of security is complicated by the fact that chattels are given. They are too moveable for the comfort of the banker, are hard to value, and neglect by the mortgagor can speedily reduce the value to practically nothing. A banker in my neighboring town of Columbus epigrammatically put it: "A $150 dairy cow can be changed into a $30 'beef critter' almost overnight by failing to milk her."

Under these conditions, it is difficult to secure even reasonably accurate financial statements, because accurate values can not be

put upon land, fixtures, livestock, or growing crops. Besides, in the process of use of the credit, it is frequently employed for purposes which temporarily make it a loan for consumption. The farmer, or his hands, often literally eat it up.

Lending can not be distributed over the year, and repayments, nominally at a fixed date in the fall, must in practice wait upon marketing conditions; and this just at the time when cash deposit accounts are especially active thus compelling the maintenance of cash reserves which otherwise would make the carrying of the burden of farm loans a relatively easy matter. Rediscounting, which makes a similar problem comparatively easy for the city bank, is difficult for the rural bank, because it is usually small, and is ordinarily not a member of the Federal Reserve system; the loans, also, are frequently not in such shape as to be acceptable for rediscount.

Every bank loan on property security is a potential purchase of that security, coupled with a legal obligation to sell it if taken over (in the case of land, usually within twelve months). The bank must therefore be sure that the amount the security will bring at forced sale will be more than the amount of the loan. That is another way of saying, that the greater the equity remaining with the borrower, the better the loan is. This is, of course, a primer lesson in business finance. Business men generally realize this. Their borrowing, either in short term notes or in bonds, is backed by large proprietorship accounts, or in the case of corporations, by cash reserves and by proportionate issues of common or preferred stock, or both. Only in the case of very well established businesses with a proper financial structure, and with not only a successful financial record in the past, but also attractive income statements in the present, is it possible to establish lines of credit. Even the banker takes ino account current and future commitments, competition and growth in the indusry, and the place it occupies in the business cycle.

This condition cannot even be approximated in agriculture. Particularly, much of the process of production is beyond the farmer's control, and neither the amount of competition nor future market conditions can be accurately forecast. Witness the efforts of the U. S. Deparment of Agriculture along this line. The result is that the farmer typically urges his banker to give him what amounts to a line of credit—or all too often asks him to lend beyond a reasonable equity on the value of the land and equipment. The bank should refuse, or—which is rarely possible because of the usury laws—charge rates commensurate with the risk. Even if it is possible

to evade the laws, the banker must remember that it is not his own money and credit that he is risking. When he declines to make such loans, the claim is set up that sufficient bank credit at a cost which he can bear is not available for the farmer. That is true, but because of the conditions I have indicated, added bank credit is frequently not what he needs.

Since the banker can not, consistent with safety to his depositors and stockholders, grant such demands for credit, he must, in order to balance his portfolio, seek other outlets for his surplus funds. In his effort to keep these funds at work, he may do a number of things. He may throw them into the call money market, tempted sometimes to do so, as in the past few months, against the interests of his community. If he does not do that, he must enter the field of investment banking, and that usually in the branch in which he is little qualified to operate—the long-term bond. Many banks by the way, fail to consider the outlet for funds furnished by the industrial short term note—and stocks are anathema. Worse still, he may yield to the temptation to speculate. Whichever he does, he takes away from the community the accumulated credit which should, theoretically, at least, be at work at home. If he tries to keep it at work there, he is likely to make unwise loans. If he does not, he is blamed as not having the interest of the farmers and others at heart. I think I have said enough to show that there is a technique of rural banking, and that it differs radically in its objectives and methods from that of the urban bank. What this technique involves, and how its dangers may be avoided, is a problem which is far from being solved. Its solution is a pressing need to protect both bankers, depositors, borrowers, and the community. Besides problems of technique, there are also general problems in which the community is vitally interested.

One of the most important problems is that of the overbanked community. It involves losses through duplication of salaries, and consequent inability to secure the best leadership. Incompetence and sometimes even crookedness, occasionally exists. In many towns, unwise competition has caused the sinking of funds that should be working for the community in overpretentious buildings at almost a dead loss. Competition has also encouraged unwise loans, and has been the cause of much so-called wildcat banking.

These conditions are to a certain extent self-corrective, but *laissez faire* is not a wise policy. State banking departments should be, and now generally are, considerably less free in approving charters for

new banks where the economic need is not clearly shown. Through failure of poorly managed or criminally looted banks, and by consolidation of others, the number of banks is growing less; and gradual growth of communities has brought the amount of credit available more nearly up to the amount which would justify the present number of banks. Particularly in some sections of the South, diversification, both of industries and within the field of agriculture, have lessened the risks incident to banking in a strictly one-crop agricultural country.

In certain sections, particularly in the Middle West and some parts of the South, land prices have in recent years boomed far beyond the point of maintenance of a proper ratio between price and value of product. Since it is a part of the banker's rule of thumb (insisted on also by many State banking departments) that the crop should not be considered in estimating the value of the land as security, rural bankers have been, wittingly or unwittingly, brought to make loans on so-called market values. These are hard to determine. Local pride, fear of being considered a wet-blanket, over-optimism, desire to accommodate, all make it easy to inflate values. When as a result of excessive loans on such inflated values, the outcome proves that from the beginning the loan had no chance to become self-liquidating, there is reason to ask the question whether productivity should not have more consideration. A rule of thumb for valuation of farm lands similar to the rough and ready "ten times net" of the public utilities might be helpful. Because of conditions over which the farmer has no control—weather, pests and fluctuations in the world market—the problem is much more difficult than that of lending to a manufacturer. He, at least is working with raw materials, which at the worst may have some market value to recoup a small part of the banker's loss.

To some extent, the Federal land banks and intermediate credit organizations have taken care of this problem in making their own appraisals, largely by rule of thumb on a different basis than productivity. Here in the South some attention is paid to this factor, however. But short term loans can not be shifted to these banks. In this connection, it is well to remark that there is much ignorance on the part of bankers and people as to the operation of these agencies and their true function. Some of the legislation is ill-digested, and there is some indication also that in its attempt to provide this type of so-called farm relief, the government has gone to absurd extremes. Witness, for instance, the National Credit Associations provided for

in the Agricultural Credits Act of 1923. At last reports, an association of this sort was functioning in only one community in California.

Indirectly, here in the South, the large cotton coöperative associations are helping to solve the problem of liquidation of loans based upon production. It must be remembered, however, that the advances made by them are upon the security of the actually produced goods, and the farmer must still go to the bank, to his landlord, or to his merchant in the spring for funds with which to make the crop. It is probably impossible for local banks to take over directly in large measure such functions, for they involve entering the field of merchandising, which the banker is not trained to do, and means the taking on of a new set of risks which he is perhaps morally obligated not to do. Some banks are doing so, however. As Kennerer says: "There should be clear distinction between banking and promotion."[1] There is still the possibility of making larger use of two-name paper. This type of note, otherwise unsecured, can be far more easily used in the city than in the country. Even there, we must not forget that the value of an endorsement, after all, lies in the fact that if the worst comes the endorser has property with which to pay the judgment. There is nothing magic in the second name on an otherwise unsecured note. "Kind words butter no parsnips," I have heard; and good intentions are in themselves not sufficient to justify a trustee in surrendering control of the cestui's funds. This is in a way unfortunate. It will be a fine thing when the credit of the community can be put behind the poor man of ability and character. But that will have to continue to be done by other agencies than the bank. One concrete thing is being increasingly done. Poor Richard preached the doctrine of saving. The farmer, like every other business man, must learn to build up liquid reserves. Long before him was a Teacher who taught the use of the talents. Bankers can insist on knowing what a man accomplishes with what he has before trusting him with more. But that is not measured by abstract conceptions. It is shown—as the Teacher showed it long ago—in the concrete—cold-blooded, if you will—figures of an income statement. Here is one fundamental principle of all banking, whether urban or rural. The loans made must be reasonably sure to return a profit to the borrower. Here is a source of one of the farmer's difficulties. Farm incomes do not always justify bank loans in sufficient amount to provide all the credit needed. Other agencies must then take the risk, or the farmer must do without.

[1]Standard Banking, p. 254.

The risks I have pointed out are only a few of the problems which make country banking a difficult task. Two safeguards have been put in operation in an attempt to protect both the banks and society from the dangers involved. State supervision is one. It ranges in effectiveness from what borders on the farcical to real constructive assistance. My own state (Mississippi) now has fairly adequate laws well administered, but I remember the time when published quarterly balance sheets were regularly forced to balance by wide variations in the furniture and fixtures account. I recall as a boy wondering why our local bank could have $3,973 in furniture and fixtures, and three months later have that reduced to $547. Proper auditing will prevent this, but a state banking department that stops there is failing its duty. Much good can be done by wise counsel and constructive criticism.

The other safeguard commonly suggested and actually tried in a few states is the so-called guaranty of bank deposits. I shall not attempt to discuss this further than to say that in reality, as it has been operated, it is virtually rather a mutual guaranty of bank loans with no opportunity on the part of the banks themselves to check the loans made by others, or to judge of the ability of the officials, perhaps hundreds of miles away, who make the loans.

A third suggestion is the development of chain banking, and of a branch banking system. There seems to be a widespread fear of these, which I share in some measure. I raise the question, however, of the possibility of regional grouping of independent banks for the purpose of interbank audits and examinations, coöperation in appraisal of security offered for loans, and possibly rediscounts within the group. This certainly might be of value to smaller banks who do not feel justified in entering the Federal Reserve System. I have not time to suggest details. There are some serious obstacles, I know. But city clearing houses are doing a similar thing, and the American Bankers' Association is considering, I understand, the possibility of interbank audits. In Mississippi there are 17 local or county clearing house associations, and in many other states such organizations are frequently found. There is also the possibility of entering the National Banking system, and thus securing the advantages of rediscount, par collection, and correspondent services of the Federal Reserve System. Since the revision of the National Banking Laws last year, the restrictions which formerly kept country banks out of the system have in large measure been removed, and very substantial inducements are held out for entering the system. This is particu-

larly true in states where there is a possibility of the adoption of the guaranty of deposits. It is doubtful whether the real advantages of such a course are yet realized by many of our state banks. It is frequently not feasible for a small state bank to enter the Federal Reserve system as a state bank. In Mississippi to do so would entail loss of interest on reserves, which the average rural bank feels that it can ill afford to forego, so long as it is also forced to maintain its deposits with, and pay assessments to, the state guaranty fund. They fear also lack of sympathy and understanding on the part of national bank examiners.

I have sketched some of the problems confronting the country banker. They are in many respects vitally different from those of the bank in the city. How they differ, and how they can be solved is an important problem. I trust that succeeding sessions of this group may consider these problems more in detail as a part of its task of vitalizing the study of economic problems and of leading in their solution. Education, both of the banker and of the bank patron, will help to minimize the difficulties of bank management and put the banks in position to be more effective in serving their communities. The traditional content of banking courses should be maintained, but for the sake of those who are so vitally concerned with these problems a new emphasis should be placed upon the problems of the rural bank. Such studies would undoubtedly help vitally in correcting many misconceptions which pass current. As economists and students of banking, we know these facts, but that is not enough. We should pass our knowledge on.

SOME PROBLEMS IN THE SOCIAL CONTROL OF BANKING

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In attempting to solve the rural credit problem, there has been a great tendency to put much of the burden upon our commercial banking system. Many social problems constantly arise. Where there is a one-crop agricultural system, these social problems are outstanding, and commerce and industry are vitally concerned in their solution. This is especially true in the South, and we can learn much from the experience of other nations.

Bank failures have been common all through the agricultural states. A great deal of interesting bank history has been made in recent years, and from this vast fund of rich experience we should be able to deduce some valuable generalizations.

South Dakota, a state with which I am somewhat familiar, was one of those states especially hard hit by bank failures, and as a result the state has suffered acutely and her economic development has been greatly retarded. The situation there was, I suspect, more or less similar to conditions elsewhere, except, perhaps, more aggravated. Even though it is four years since the banks began to fail in such large numbers, people stil lseem afraid to talk frankly about the situation, as they fear that it makes bad matters even worse to discuss them. This is unfortunate because public opinion has not forced a thorough revision of the banking law. South Dakota is slowly recovering from the effect of these failures, although even yet, there is some suspicion that there are insolvent banks still remaining as a menace. The state banking department, until very recently at least, has gone on the theory that a bank should not be closed as long as there is any till money—surely not if an election is approaching. The excuse for keeping insolvent banks open was that when conditions improved the bank would "work out" and forced liquidation would, as they said, have been unjust. Experience seems to indicate that generally under these conditions, the longer such a bank stays open the worse its condition becomes. The grand jury investigation in Minnehaha County where some of the worst failures in the state were concentrated brought forth the fact that as far as state supervision was concerned economic factors were secondary to the one primary objective of maintaining in office of the then dominant faction of the dominant political party of the state.

South Dakota, like most agricultural states was, and still is, I fear, over-banked. She was one of those states cursed with an unworkable bank guaranty law. It was not long after the failures became so numerous, that the annual interest charge on the outstanding warrants issued to depositors in closed banks was greater than the income to the guaranty fund from the assessment upon the solvent banks. The banking law has recently been amended, leaving the old warrants outstanding, unpaid; it provides, further, that the banks will in the future pay a guaranty assessment, but this will be left in the state treasury for use in paying the depositors of the individual contributing bank only. This law can only be explained as a political makeshift, for the objections to it are apparent.

General incompetence has played a big part in this debacle. Banking was entirely too fashionable, and too much prestige went with being the wife, daughter or son of the banker. Consequently, successful doctors, dentists, retired farmers and good-for-nothing sons-in-law went into the banking business. This, besides adding to the already over-banked condition, added a group of poorly trained executives. It is not surprising that the sequel was tragic.

Another significant fact is that national banks also have failed. There is a tendency for national banks to fail more often in those states where the supervision of state banks is lax than where it is good, which may be, I suspect, partly accounted for by the fact that national banks are sometimes forced into dangerous competition with "wild-cat" state banks. There is some suspicion that following the crisis of 1924 there were criminal violations of the national bank law which were not punished. There have been some very bad rumors circulated about certain of the closed national banks. Depositors have a right to authentic information about the true state of affairs, because, after a bank is closed, no damage will be done if information about its affairs is made public. There is trouble ahead for the national banking system, if the criminal laws are not enforced.

In spite of the fact that it has been shown that violations of the banking laws were extremely numerous, very few prosecutions were made. It has been claimed that the large number of violations of the law resulted from the fact that the bankers strained every effort in a misguided attempt to save their tottering institutions from ruin, and in so doing, served society. Limited investigations which have been made public do not show this. On the contrary it appears that the real cause of many bank failures was that the funds of the banks were taken in one way or another by the officials, and used by them

for their own personal gain. Some of the money so obtained went into land speculation. Of the few prosecuted, only a small proportion were convicted, and one of the most discouraging elements of the entire situation is the little interest taken by the public in the prosecution of the offending bankers.

A common method suggested to stabilize banking is through the intervention of the state with so-called "bank guaranty funds." To date the states which have experimented with this law have done so to their own sorrow. Only Nebraska and Mississippi are making any attempt to keep the guaranty fund in operation, and in Mississippi the fund is so badly in debt there is little hope for it ever to pay out as it now exists. Even the state superintendent of banks recognizes this, and in his recent biennial report to the legislature he calls attention to the fact that a change in this law is needed.

The objections to a bank guaranty have been given wide publicity, but when in spite of these serious objections the state of public mind is such as it is in Mississippi we are faced with a new complication. Bankers quite naturally object to the law on the ground that it is too costly, for the reason that it places a too-heavy burden on them. Nevertheless, many of the people are ardent in their support of the law, perhaps because of the fear expressed in some quarters that if the law were repealed the state would revert to the unsatisfactory condition of affairs existing prior to the passage of the law in 1914. Banking conditions, in Mississippi, are vastly better now than they were then, but the improvement has in my judgment been due to the rather strict supervision which the state now enjoys, rather than to the bank guaranty law itself. As some people still look to the fund, instead of to assets of the bank itself, certain of the smaller banks would in all probability be faced with large withdrawals, if the fund were abolished. The problem under these conditions is not so much whether the law is wise, but whether by revision it can be made to work at all.

One great trouble with bank guaranty laws is that they were enacted before sufficient research had been made to furnish a sound basis of fact upon which to build them. The problem is one of insurance and should be studied on an actuarial basis. The concentration and lack of diversity of risk, because of the necessity of combining the area insured within state lines, are important difficulties in the way of working out such an insurance plan. In fact, these seem to be almost insurmountable obstacles.

Among the insurance principles which must be considered are:

First. The rate must be scientifically set, not guessed at as has been done in the past. The rate must be high enough to meet the demands upon the fund and yet low enough that banks can afford to pay it. So far as I know sufficient studies upon which a scientific rate could be determined have not been made. It has been rather generally assumed that the cost should rest on the banks, but I wish to raise the question whether the cost really should rest here or somewhere else.

Second. The insurance plan should be such that the moral risk is not unduly increased. A bank guaranty should not reduce the incentive of the depositor to do all in his power to select the strongest bank. If, as is commonly done in other forms of insurance, the deposits are only partially insured—say for 80% of their face value, depositors would use what limited information they might possess in finding the strongest bank to handle their business. The cost to the fund when a bank closed would thus be much less. For instance if a bank with deposits of a million dollars were to close, the assets would be liquidated and stockholders would be called upon to pay their assessment. Suppose this brought in $750,000 for the unsecured creditors. The guaranty funds as they now exist would be called upon to pay $250,000, while under the plan outlined above the fund would be called upon to pay $50,000 only. This would make a lower rate possible. The exact amount would have to be determined by careful study.

Third. Any insurance plan should be based upon selection and diversification of risk. A fund which insured only the best bankers would at the outset have an advantage. Although in practice it would be difficult to make rate differentials in favor of the more prudent bankers, theoretically it would be very desirable.

Fourth. A reserve should be set up to care for a concentration of losses. How to maintain an adequate reserve from the beginning without unduly burdening those protected in the early years is a difficult task. Preventive measures are also necessary, because it is impractical to build up an emergency reserve large enough to care for any such catastrophes as have occurred in many districts in recent years.

Fifth. The criminal code should be carefully drawn and strictly enforced. Several of the states which had bank guaranties have been notoriously lax in this regard.

The experience of the American states with the bank guaranty laws has been so unsatisfactory, and the dangers of such a law are so great that most of us have come to the conclusion that better protection can be given depositors in other ways. I wish to sketch a few fundamental considerations which should receive attention when methods of providing better banking institutions are under discussion.

First. I think it would be wise to separate savings departments from commercial banking departments, as has been done in some states, notably New York. Certain assets are definitely earmarked as being the security for time deposits, which thus gives added protection to those needing it so badly.

Second. Even the most prudent banker will have some losses, and unless the earnings of the bank are ample to take care of these losses, insolvency is inevitable. Consequently, the effects of legislation and other forms of social control on bank earnings should always be considered.

Third. In addition to the published bank balance sheet an income statement should also be made public. The purpose of a balance sheet is to make it possible for those desiring to do so to learn about the condition of a bank. Very little analysis can be made from a balance sheet without a supporting income statement.

Fourth. Provision should be made for tactful, efficient, but strict bank supervision, removed from politics.

Fifth. Directors and officers should be held to strict accountability. The board of directors should meet oftener than once a month as is sometimes the case now, and the directors should really direct the affairs of the bank. Every bank failure should be investigated and if any irregularities are found, those guilty should be speedily punished. Certainly, only in rare cases should an officer of a closed bank be allowed ever to hold an executive position in another bank.

Sixth. A bank should not be granted a charter unless there is a demonstrated need for it in the community and unless the stockholders propose to contribute plenty of capital.

Seventh. Provision should be made for efficient and economical liquidation of insolvent banks.

Eighth. Definite provision should be made for the training of prospective bankers. This training need not be made up entirely of formal educaton; in fact, one requirement should be minimum

amount of banking exeprience. It seems to me that it is a bad state of affairs when a man with no training in banking, either theoretical or practical, can get an executive position in a bank which entails the handling of other people's savings, if he is rich enough to buy it or has pull enough to land it. Those aspiring to be bankers should be required to pass an examination, which will, of course, not eliminate all poor bankers. One objection which can be made is that we do not know exactly what information is essential for a successful banker. The answer to this is that there is a great deal of information which all bankers would benefit by knowing. Another objection to this proposal is that it will restrict the freedom of opportunity. That is quite true, but in the interest of community welfare many of our liberties have and should be curtailed. We are allowed to practice none of the learned professions without training and I suggest that banking should be raised to the status of a learned profession.

SOME RECENT TRENDS IN SOUTHERN TAX LEGISLATION

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Prior to about the middle of the eighteenth century governments did little; consequently there was not very much occasion to be concerned about revenues for the use of the state. The most important item of expenditure before that time, in many European countries, continued to be provision for the king's personal household needs. Since about 1750, however, there have been remarkable changes in the general economic organiaztion which have made it essential that governments do many things formerly not regarded as public functions. Among the early developments of such character, one finds: (a) the necessity for more attention to the supervision of private economic relations, such as enforcement of contracts, supervision of labor relations, and the prevention of certain forms of extortion and fraud: (b) protection of the health, morals, and general welfare of the public, more particularly of the classes economically or socially unable to protect themselves; and (c) provision of more or less systematic means of relief for the poor and disabled. During the last half of the nineteenth century numerous other functions involving the necessity of further increases in governmental expenditures were assumed by the public. These included, among others: supervision of certain classes of business in a more particular sense than formerly, controlling especially very large scale enterprises which grew out of the industrial revolution and maintaining loose oversight over certain businesses peculiarly affected with a public interest; maintaining certain standards of educational opportunity; providing safeguards made necessary particularly by increasing size and complexity of urban life; and meeting remarkably increased military and naval responsibilities occasioned by the race for supremacy in armaments.

But the most remarkable increases in government revenue needs have developed during the past two or three decades. Aside from increases in the classes of items already mentioned there are numerous others. One may almost say that educational expenditures have developed during the current century, for the growth in this item has been very large indeed. This has been particularly the period of the development of state supported secondary and higher education.

Greater density of population has been a potent cause of increased public revenue needs, which express themselves in various forms.

Of course there is increased need for police, fire, and health protection in populous communities. Also the large city demands many more governmental services, thus resulting in very much higher rates of expenditures, and consequently in taxes, than are characteristic of the small communities.

The building of public works has called for very much larger amounts of revenue. The expense of highway construction has been by far the largest of these items, especially since 1921, although enormous sums have been spent on the construction of public buildings, the Panama Canal, river and harbor improvements, and particularly naval construction.

In so far as the occasions for increased taxes are state or local matters—health, sanitation, highways, recreation, charities, and education—the South has largely escaped until the present decade. Even today none of the Southern states approximates the expenditures of its Northern neighbors for these causes. Therefore, our taxes have been—and are still—relatively low. They will remain lower than in New England so long, and only so long, as we remain behind those states in taking care of such distinctly social needs as those enumerated. We can have lower taxes, in other words, as long as we are satisfied with inferior educational opportunities and inadequate attention to public health needs.

One theoretical modification should be made. If we can increase the effectiveness of our governmental administration more rapidly than other sections we may be able to make our money go a little farther. Thus far, there is little evidence that we are accomplishing this highly desirable object, except perhaps in a few rare instances.

Essentially, therefore, it is accurate to say that when we take as good care of charities, corrections, health, education, and other community needs as do Northern states our taxes will be as high. The crucial question is whether we prefer low taxes to adequate provision for community welfare.

It is not my purpose to attempt to answer that question in terms of what we *prefer* or what we *should do*, but rather to suggest something of what we *are doing*. For example, in 1915, according to the Census Bureau of the United States Department of Commerce, the South Atlantic States spent for highways—as states—an average of 7 cents per capita and, in 1925, an average of $1.08 per capita. The East South-Central division advanced such expenditures for the same period from 2 cents to 85 cents per capita. Despite the trend in the direction of increased local expenditures for schools, the

educational expenditures by states rose between 1915 and 1925 from $1.07 to $2.69 in the South Atlantic, from $1.28 to $2.37 in the East South-Central, and from $1.49 to $4.40 in the West South-Central states.

These extraordinary increases in expenditures, together with others equally phenomenal, all arising largely from economic changes now in process, were accompanied by increases in tax payments equally challenging. The average per capita total state revenues increased in the South Atlantic states from $3.01 to $11.06 per capita during the decade 1915-1925. In the East South-Central division, the change was from $2.88 to $9.71, while, in the West South-Central, it was from $3.74 to $12.26 per capita. That is to say, the Southern states are unquestionably increasing their social expenditures and therefore their taxes.

Such decided increases in tax collections give rise to a number of questions: (1) Are taxes increasing at a pace that is too slow, unduly rapid, or about right? (2) Are the taxpayers getting as much for their taxes as they have a right to expect or is a considerable amount of it being dishonestly or unwisely disbursed? (3) If the revenues are not netting as much as they ought to, what can be done about it? (4) Since the increases are occurring, wisely or unwisely, are the growing burdens being distirbuted fairly among the members of the community? All of these questions are very interesting and important, but there is time to consider briefly only the fourth. Let us, therefore, turn to the question specifically of recent trends in actual taxing methods.

In the first place, it must be said that, while there is justification for all the harsh things that have been said about Southern taxation, there has been considerable recent advance in our section. One of the most encouraging factors in the entire situation is the apparent willingness to give serious thought to tax problems. Aside from numerous unofficial projects known to be under way—at the universities of Florida, Georgia, Kentucky, North Carolina, Oklahoma, Texas and particularly Virginia—and the work that is being done by permanent tax commissions, there are officially authorized special studies of note in progress or just completed in a number of these states. The Virginia and West Virginia investigations have been finished and the results published. Those authorized in Arkansas, North Carolina, Tennessee, and Texas are now in progress, and prospects for excellent results are good. Perhaps the most encouraging aspect of the whole situation is no more the legislation authorizing

such studies than the personnel selected to prosecute them. In practically all cases, there is at least one trained student of taxation serving officially or unofficially.

In tax administration it is a question whether there has been more progress or retrogression. In the main, such forward steps as have been taken recently have been in the direction of integrating administration in the hands of one agency rather than in several scattered, unrelated offices. Among the Southern states in which state supervision is reasonably adequate and fairly well concentrated in one office, Arkansas, Kentucky, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia may be mentioned. In some of these cases, though legal authority is provided, actual functioning is not what it might be. Alabama, Louisiana, Mississippi, and Missouri have made a beginning, but still have far from adequate state administration. Mississippi and Missouri, at *least*, have shown some recent tendencies in the direction of improvement. Florida and Texas have not made any recent progress in state administration which can be observed by an outsider and Georgia and Oklahoma have tended to scatter administration even more than formerly.

In the matter of local administration the situation is a little different. Arkansas has abolished the office of township assessors in certain counties and transferred their duties to county officials. This is a short but definitely forward step. More promising still is the consolidation of the county taxing offices into county commissioner of taxation in Virginia and the almost idle gesture in the same direction in Georgia. Georgia took one step in the direction of abolishing the unfortunate fee system for county officials, including tax officers, but Texas has gone in the opposite direction by increasing the pay of assessors while retaining the fee basis. North Carolina has recently effected some improvement in the administration of county tax assessments, but she has not yet reached the point of turning the task over to a full time expert employee. Political domination of the tax administration continues pretty largely unmodified. While the cost of tax collection in New York has decreased in the past five years about 25%, it has probably increased by a larger margin in at least three-fourths of the Southern states.

The general property tax like the poor, it seems, we have with us always. In the past several years there is little in general property taxation to encourage the student of government. It is true that scarcely a Southern legislature meets that does not pass certain bills on the subject. But it is equally true that little progress is being

made. The Arkansas legislature recently passed a law improving legal machinery for making real estate assessments, and a few other legal details have been cleared up in other states.

But the most generous legislative activity has been concerned with tax exemptions. It would seem that the history of the New England and Middle Atlantic states would serve as a warning in this matter, even if that of England and other European countries failed to do so. But the exemption process goes gaily on, wholly oblivious to the facts of history as well as to the laws of political science and economics. The recent developments have been principally along two lines: (a) extensions of more generous exemptions to religious, charitable and patriotic organizations and (b) development of entirely new exemptions to certain classes of industrial plants in order to induce manufacturers to build new plants or extensions of old ones within the state.

I presume to point out some of the evils and dangers involved in both these classes of exemptions. State legislatures have recently ordered investigations of the whole evil of tax exemption and, in the same session, passed bills exempting still other types of property from taxation. The bad consequences are numerous. (1) By thus subsidizing certain classes of enterprises owning property in the state—whether religious, educational, patriotic, or industrial—the legislature extends aid to those to whom money ought not to be—and would not be—granted if each subsidy were considered on its merits and made direct to the institution concerned. That is, by granting general tax exemptions—which, of course, constitute indirect subsidies—states make gifts to particular enterprises that do not merit state aid. Moreover, the amount of property owned by an agency doing a public service is in no sense proportional to the amount of service rendered. (2) More unfortunate still is the loss of revenue to the state and its subdivisions coupled with inequitable distribution of the tax burden which results. Neither of these evils is as yet pronounced in any of the Southern states, partly because of the very low tax rates and partly because the process of exemption has not gone so far as in some other communities. But they are growing almost as fast as the tax rate; and, if continued, will undoubtedly give trouble before many decides have passed. (3) in the case of the exemption of the property of churches, miscellaneous religious societies, certain patriotic groups, and propaganda organizations of other types, there are additional serious questions. Is it really right to expect a state having a large Roman Catholic

citizenship to subsidize Protestantism or one having a large Jewish population to subsidize Roman Catholicism? Is it consistent with an enlightened separation of church and state? (4) Is there anything in the history of American governmental institutions to offer assurance that we may not expect political corruption in connection with tax exemption? I can find nothing.

Despite all these and other considerations, numerous Southern states have added materially to the list of tax-exempt property during the past decade.

Nothing which has been urged against further tax exemptions should be interpreted to mean that classification of property for taxation at varying rates—or even for exempting certain classes if some other form of tax be substituted—is undesirable. As a matter of fact, the arguments which condemn further outright exemption of readily taxable property may also be used to justify, for example, the classification of intangibles for taxation at a rate not to exceed forty cents on the $100.

Experience has repeatedly shown that the only way to secure assessments of intangibles is to make the rate very low. The point is well illustrated by the fact that the total amount of money and credits listed for taxation in one Southern state was less than the deposits in a single bank in the state in conjunction with the further fact that low rate taxation of intangibles has usually meant increased revenue. Even approximate equality then, is to be expected only if intangibles are taxed at a lower rate than real estate. (To secure anything approaching real equality, of course, this will have to be supplemented by personal income taxation; but that is another story —and one for which the administration in numerous Southern states is wholly unprepared).

Recent developments in the direction of classification have, on the whole, been discouraging. It is true that classification has been authorized in Florida, Kentucky, and Oklahoma in the past fifteen years; it is equally true that it has been rejected in Mississippi, Missouri, Texas, and West Virginia during the last four years. North Carolina rejected the proposition on November 6, 1928. The legislatures of states authorizing classification are not handling the problem with any remarkable insight. Kentucky's most recent effort, for example, was to put forest lands in a separate class; but the law has the effect of giving tax reduction only in the case of fertile or well situated, but not in that of poor mountain land. Certain exemptions, in effect classification, have been added annually in

various states, but it is unnecessary to discuss that mistake further.

When one turns from such pessimistic consideration of property taxation to levies on estates and inheritances, he immediately feels distinctly refreshed. That is true in spite of Florida's folly in providing, by constituitonal amendment, that no tax on inheritances might be levied, and Alabama's failure to make use of this lucrative and eminently just revenue mechanism. Most of the recent positive acts of Southern state legislatures on this point have been constructive.

Inheritance and estate tax laws have been improved in a number of respects. Perhaps most important of all have been the refinements in provisions for administration. There is a distinct tendency to assign more freedom to central and less to local administrative agencies, thus making possible increased efficiency. This tendency has been especially noticeable in Kentucky, Tennessee, North Carolina and Virginia.

A second important development has been to eliminate a considerable amount of the double taxation hitherto characterizing inheritance and estate taxes. This has been accomplished largely by the adoption of the so-called Mathews flat-rate plan for the taxation of intangibles in the estates of non-resident decedents. This plan, or something which gets essentially the same result, is now effective in nearly all the Southern states east of the Mississippi which have any inheritance or estate tax laws at all. Professor M. R. Sullivan, in an unpublished manuscript on Kentucky inheritance taxes, seems to have made it clear that the flat 2% on non-resident intangibles is not only fairer but also that it yields more revenue to the state of Kentucky than did the old law with rates graduated up to a maximum of 15%.

In the third place, there has been considerable tendency to bring our Southern state laws into conformity with those of the federal government in certain respects. Perhaps this has been carried too far in Georgia and Mississippi, for example, where the states have said in effect, "Yes, we will take the 80% of the federal estate tax, but we will collect nothing for ourselves." That means, of course, that estates of less than $100,000 are not taxed, regardless of the identity of the beneficiary. It is obviously unfortunate that an estate of $95,000, for illustration, should be passed on to a stranger without any assessment by the state on the privilege. North Carolina has used more discretion in legislation on this point in that she has retained intact her inheritance tax law and added an estate tax law

equal to 80% of the rates now levied by the federal government. Some of the other states have passed no legislation to make certain of receiving the 80% of the federal estate tax.

It seems to me that the history of taxation in America has made clear the impossibility of state income taxation in the absence of fairly capable administration. Some of the classic examples of failures have occurred in the South, among the most recent those in Oklahoma and Arkansas. On the other hand, fairly well developed administrative systems, as found in the Carolinas and Virginia, are showing that this form of revenue measure may be used effectively, not only in the sense of producing considerable revenues but also, and even more clearly, helping to secure a fairer distribution of the tax burden.

Generally speaking recent developments along this line in the Southern states have not been encouraging. It is true that improvements have been made in North and South Carolina and Virginia, mostly along administrative lines; but other states have not fared so well. In fact, these are the only Southern states which are at present making any progress in income taxation. It is very interesting to observe that, in states which have no income tax laws, the most effective opposition comes from those classes which would profit most from such taxation, namely farmers, manufacturers, and others who own real estate and hence are subject to heavy general property taxes.

To go into the field of business taxation, as such, would lead into problems too intricate for discussion here. There would be not only general business laws, but also corporate franchise taxes, special taxes on certain classes of public utilities, those on insurance companies of different kinds, and the numerous licenses on various classes of business. Let it merely be said on this point that the recommendation of the National Tax Association Committee on a model plan for state and local taxation to the effect that a general business net income tax should be levied is just as sound as it was in 1919. That, of course, would not solve certain special problems, but it would certainly be an improvement over present confusions.

Taxation specifically for road building purposes is one of the most interesting recent developments in financial legislation. I shall take occasion merely to indicate a few trends apparent in the Southern states. First of all, it should be said that we are headed definitely in the direction of laying the entire inter-county road building burden on the shoulders of the motorists by means of registration and

gasoline taxes. This tendency is certainly to be commended both from the point of view of administration and that of justice in taxation. Another tendency that is particularly clear in the South is that to increase gasoline tax rates. There are a number of states which now collect five cents a gallon. In general, in view of present administrative conditions, it is much better to levy such heavy road taxes than to borrow for construction. It may be remarked too that even our heaviest gas taxes are only about half the rate levied in England for ten years preceding American adoption of this form of taxation. A third tendency, not quite so marked in the last three years or so, is to increase motor registration taxes. Apparently the best judgment of this is that each state should raise through registration licenses about the same sum that is produced by the gasoline tax. That is, the two types of taxes will work most effectively if the rates are such that the average vehicle will pay roughly the same gasoline as registration tax. A fourth desirable tendency is to refine the registration tax by basing it on the gross weight of the vehicle and its load, graduating it sharply, and penalizing heavily the use of solid, rather than pneumatic, tires. The last Georgia law, for example, marks a distinct step forward though it still draws inadequate distinction between vehicles using solid and those using pneumatic tires. Finally the tendency to provide for wise public utility taxes on vehicles for hire, though appearing tardily, is now clear-cut. Legislatures of several states have passed constructive measures for this purpose at their last sessions.

All in all, a survey of the situation leaves one encouraged. It is true that the general property tax, the whole system of business imposts, and a number of other sore spots remain; but distinct progress has been made in inheritance taxation (though not in Alabama, Florida, Georgia, and Mississippi) and particularly in motor vehicle excises. Seemingly the aspects of the problem which should command most attention in the next few years are: (a) improvements in administration; (b) reforming the general property tax, which ought to involve (c) income tax legislation; and (d) improvement in business levies, especially those on corporations.

Acknowledgement should be made to the National Tax Association for the good service its annual reviews of tax legislation have rendered in connection with the preparation of this summary. Especially do I thank Miss Beulah Bailey of the New York Department of Taxation and Finance, who prepared the 1928 review, for making her survey available prior to publication.

This article has also been published in the National Tax Bulletin, January, 1929.

Editor's Note.—In the discussion that followed the reading of Professor Martin's paper, Professor E. G. Howe, of the University of Alabama, submitted illustrations showing that the general property tax was practically confiscatory when applied to stocks and bonds. In states which tax monies and investments, the amounts turned in for assessment, he said, are decreasing every year.

Professor J. H. T. McPherson, of the University of Georgia, called attention to the fallacy involved in comparisons of per capita tangibles, and suggested that the maximum rate of income taxation should be limited to three times the minimum rate. He also gave emphatic approval to inheritance and business taxes.

TRENDS IN BUSINESS SCHOOL CURRICULA

DEAN C. B. WRAY, *School of Commerce, Mercer University*
DEAN T. W. NOEL, *School of Commerce, Ga. School of Technology*

EDITOR'S NOTE.—Dean C. B. Wray, of Mercer University, and Dean T. W. Noel, of the Georgia School of Technology, read papers presenting the results of their study of business school curricula in the South. Because of the restriction on space their papers are omitted from the published proceedings, and the following summaries, with tables, are offered.

The first table, prepared by Dean Noel, indicates the number of required and offered courses in ten leading business schools of the South and in one Northern school. Considerable variation will be noted in the various courses, both in the offered and the required classes of study. It appears that local needs and demands considerably influenced the courses offered.

TABLE I

SEMESTER HOURS REQUIRED AND OFFERED IN SCHOOL OF COMMERCE OR BUSINESS ADMINISTRATION

		Univ. of Ala.	Univ. of Fla.	Univ. of Ga.	Ga. Tech	Univ. of Ky.	Miss. A. & M.	Univ. of N. C.	Univ of S. C.	Univ. of Tenn.	Tulane Univ.	X Univ.
English Composition	1	6	6	6	6	6	10	6.6	0	6	0	6
English Literature	2	0	0	6	6	0	0	6.6	6	2	0	3
Business English	--	3	3	3	3	2	0	0	6	0	12	2
Modern Languages	3	12	12	6	6	6	3	13.3	12	12	12	3
Business Mathematics	1	3	3	3	6	5	2	0	3	4	3	3
Mathematics	1	3	3	--	3	5	10	6.6	6	6	3	10
Science	3	0	10	6	9	23	26	6.6	0	9	0	6-8
History	1	0	0	0	6	3	2	10	0	6	0	6
Economic History	3	3	6	6	0	6	2	3.3	6	0	0	3
Social Science	3	0	0	0	0	0	0	3.3	0	0	2	12
Government	1	6	6	0	3	3	6	3.3	0	0	6	0
Law	1	6	6	0	12	6	6	6.6	0	6	0	6
Geography	--	4	6	6	0	0	0	3.3	6	6	6	3
Psychology	1	0	6	0	0	6	0	6.6	6	6	6	0
Economic Principles	1	6	6	6	6	3	4	6.6	6	6	6	5
Advanced Economics	3	0	0	0	3	3	4	0	6	0	3	0
Finance Principles	1	3	3	6	6	3	6	6.6	6	2	4	3
Corporate Finance I	2	3	3	6	6	3	6	0	6	3	14	3
Labor	1	0	0	0	0	0	0	0	0	0	0	0
Public Utility	--	0	0	0	0	0	0	0	0	0	0	0
Personnel	--	0	2	0	0	0	0	0	0	0	0	0
Risks	2	4	0	0	0	0	2	0	3	2	0	0
Mark.-Adv.	1	3	3	9	9	3	2	0	3	6	14.5	6
Production	2	3	2	0	0	0	0	3.3	3	4	0	0
Statistics	1	6	3	2	0	3	4	3.3	0	--	6	0

Accounting ---------- 1	12	6	6	18	8	6	6.6	18	10	15	12
General Business ----- --	0	6	0	0	0	0	0	0	0	0	0
Public Finance ------- 8	0	0	0	0	3	0	0	3	0	0	0
Office Appliances----------	0	0	0	2.4	0	0	0	0	0	0	0
Military ---------- --	4	8	0	8	5.6	4	0	0	6	0	?
Misc. Bus. ---------- --	4	3	0	3	18	0	0	0	10	0	?
Offered:											
English Composition--------	6	6	6	6	--	12	6.6	0	6	0	4
English Literature ---------	61	0	8	6	--	8	6.6	12	72	0	0
Business English ---------	5	3	--	3	--	2	3.3	6	0	12	0
Modern Language ---------	100	12	12	6	--	24	20	12	102	22	0
Business Mathematics -----	3	3	3	6	--	2	0	3	4	3	3
Mathematics ----------	59	3	6	3	--	16	6.6	6	76	3	0
Science ----------	150	10	--	9	--	--	6.6	0	330	--	0
History ----------	78	0	--	12	--	4	10	0	50	--	0
Economic History ----------	3	6	6	0	--	2	3.3	6	0	--	14
Social Science ----------	24	0	4	0	--	6	6.6	0	15	--	--
Government ----------	40	9	6	3	--	12	6.6	0	18	--	0
Law ----------	6	6	6	18	6	3	6.6	0	6	--	9
Geography ----------	4	6	3	0	3	6	3.3	6	24	6	29
Psychology ----------	100	6	0	6	--	6	10	0	30	--	--
Principles of Economics ----	6	6	6	6	6	4	6.6	6	6	6	6
Advanced Economics -------	6	3	0	6	6	4	0	6	0	--	--
Principles of Finance ------	12	6	6	12	3	8	13.3	6	2	12	14
Corporate Finance I---------	5	6	6	12	5	8	6.6	6	8	15.6	--
Labor ----------	6	3	6	3	6	2	6.6	3	2	0	11
Public Utility ----------	3	0	18	0	3	2	0	3	0	0	6
Personnel ----------	3	2	0	0	0	0	3.3	0	2	0	3
Risks ----------	4	12	6	6	3	4	10	3	2	3	0
Mark.-Adv. ----------	18	18	18	15	9	4	23.3	3	26	18	26
Production ----------	3	2	6	0	0	2	10	3	4	0	6
Statistics ----------	16	9	3	3	3	4	3.3	3	--	4	11
Accounting ----------	36	18	30	39	29	8	30	30	22	25	74
General Business ----------	0	6	3	0	0	0	0	0	0	12	8
Public Finance ----------	2	3	6	0	6	2	10	3	4	0	0
Office Appliances ----------	0	0	0	2.4	0	0	0	0	0	0	0
Military Appliances -------	0	0	0	2.4	0	0	0	0	0	0	0
Military ----------	20	16	6	20	--	16	0	0	18	--	0
Misc. Business ----------	4	6	18	3	59	--	--	--	20	--	--

NOTE.—Courses marked 1 are subjects which 87%-99% of a group of 300 teachers of business subjects would require; courses marked 2 are those which 75% of the 300 teachers would require; and courses marked 3 are those which 62% would require.

The second table, prepared by Dean Wray, covers trends in business school education along four lines. The data covers nine Southern states and some leading schools in other sections. A summary of the trends indicated by the table shows:

1. That there is a decided trend to require less of foreign languages.

2. That opinion is about equally divided as to when specialization should commence.

3. That the major field should be broad.

4. That emphasis is in favor of fundamentals, rather than practical accounting.

TABLE II

Summary of a Questionnaire Survey to Determine Trends in the Curricula of Collegiate Schools of Business

Section 1	*Nine Southern States	**All Other States of U. S.
(a) Foreign Language requirement:		
Requiring no foreign language	20%	55%
Requiring 1 or 2 years	80%	45%
(b) Tendency in Language Requirements over 10 years:		
To require more	5%	4%
Unchanged	55%	52%
To require less	40%	44%
Section 2		
(a) Year specialization begins:		
First year	27%	20%
Second year	58%	43%
Third year	15%	37%
(b) Tendency over 10 years:		
Specialization earlier	40%	12%
Specialization later	20%	44%
Specialization unchanged	40%	44%
Section 3		
(a) Major field:		
Restricted field required	8%	7%
Broad field allowed	92%	93%
(b) Tendency over 10 years:		
To restrict the field	26%	20%
To broaden the field	74%	80%
Section 4		
Accounting Instruction:		
Emphasis on Practical Accounting	39%	23%
Emphasis on Fundamental for Management and Control	35%	43%
Emphasis on both Practical and Fundamental	26%	34%

*Representing 32 colleges in Georgia, Alabama, Florida, Mississippi, Louisiana, South Carolina, North Carolina, Kentucky and Tennessee.

**Representing 40 leading colleges at large in U. S.